PHILIPPINE BUSINESSBANK
a savings bank

Making Things Happen...Today!

Unwavering Commitment to Excellence

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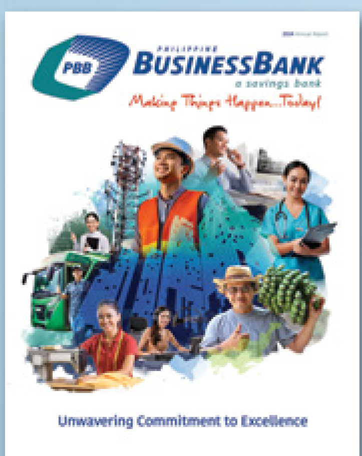


About the Cover

Unwavering Commitment to Excellence

Small and medium enterprises (SMEs) serve as a fundamental component of the economic development in the Philippines. Their significant contributions are vital to sustaining the country's growth and overall success.

PBB specializes in providing banking services specifically designed for small and medium enterprises (SMEs). The Bank offers customized financial solutions, operational support, and exclusive benefits aimed at facilitating the success of these businesses. PBB is dedicated to supporting Philippine SMEs by delivering a comprehensive array of services, including credit management, advisory services, and investment assistance. The organization ensures that clients have access to all necessary banking services to achieve excellence in their operations.

Vision

By making things happen today, PBB will help build strong business communities where people can achieve their dreams.

Mission

The basis for Philippine Business Bank's growth shall be its commitment for higher standards every day, in everything we do in providing competitive products and services and through enthusiastic execution and teamwork in producing satisfaction – for our customers, our shareholders, our associates, and our communities.

About Us

PBB was incorporated as a Philippine corporation and registered with the SEC on January 28, 1997 as “Total Savings Bank” and was granted the authority to operate as a thrift bank under the MB Resolution No. 29 dated January 8, 1997. The BSP issued a Certificate of Authority on February 6, 1997. On December 16, 1997, the SEC approved the change of corporate name of the Bank to “Philippine Business Bank, Inc. (A Savings Bank)” which the shareholders believe better reflects the Bank’s business thrust and focus.

The Bank’s focus is to become the bank of choice of the SME market segment. The BSP defines small and medium enterprises to be any business concern with assets between Php3.0 million to Php100.0 million, excluding the land value on which the entity’s office, plant and equipment are situated.

This focus on the SME market is driven by the size and potential of this particular market. According to recent data from the Department of Trade and Industry, *SMEs* account for *99.5%* of total registered enterprises. The Bank believes that the SME segment is the major source of entrepreneurship and economic dynamism which provide trade, manufacturing and outsourcing and services and help contribute to community and local development. Lastly, the Bank believes that the SME segment is underserved with most financial institutions focusing on the banking requirements of large corporations.

About Us

To become the bank of choice of the SME market, PBB has increased its branch presence in several commercial and industrial centres of the country and recruited branch and account officers with extensive client networks in these specific communities. The Bank's network grew from two (2) branches in 1997 to 158 branches as of December 31, 2024 with most branches located in areas with high concentration of small and medium businesses such as Caloocan, Malabon, Navotas, Valenzuela and Quezon City. PBB has also aggressively expanded its branch network in highly urbanized areas outside Mega Manila such as Davao, General Santos, Bacolod, and Cebu. PBB believes that client proximity, understanding its targets' banking requirements, the reputation of its branch and account management staff within their respective communities, and the overall reputation of PBB, are the key growth factors in the banking business.

PBB attributes its strong growth and attractive financial performance to the following competitive strengths:

1. Strong presence, reputation, and attention to its SME customers

   The Bank believes that its deliberate focus on serving the banking needs of the SME market segment is a key factor for its successful growth over its history. Aside from potential size of this market segment, the Bank also believes that the SME segment is largely underserved by most financial institutions with their focus on large companies and the consumer market.

   PBB's focus on the SME segment is manifested in its branch strategy, the recruitment of its officers, its business operations, and even its corporate culture.

   Majority of PBB's branches are located outside of typical commercial and business districts where most banks congregate and are situated in areas with significant SME concentration such as Caloocan, Malabon, Navotas, Valenzuela, Quezon City as well as highly urbanized areas outside Mega Manila such as Davao, General Santos, Bacolod, and Cebu. Aside from targeting such areas, PBB has also significantly increased the number of its branches over the past years.

   The Bank believes the success of this branch strategy is shown in its increased business volume. PBB's branches have increased over the past five (5) years from 145 in 2019 to 158 as of December 31, 2024. As a result, PBB's deposit base and loan portfolio grew over the years.

in Php millions	2019	2024	CAGR
Net loans and receivables	87,323.5	128,272.2	8.0%
Deposit liabilities	95,268.0	139,094.3	7.9%

The staffing of these branches is of equal importance to PBB's current and prospective growth. The Bank aggressively recruits branch managers and account officers who have established good relationships and solid reputation within each branch's catchment area. Through this recruitment strategy, PBB has accelerated its client acquisition.

In line with its view that most SME clients have unique banking requirements with respect to bank transactions that require specific attention, PBB has also deliberately focused on providing its banking services through its branch officers and staff. This contrasts significantly with the trend to automate banking transactions. PBB believes that customer interaction and service will remain key ingredients for its growth.

2. Effective capital utilization

   Aside from interest income from its loan products, PBB is opportunistic with respect to earnings generation from its treasury operations especially during periods of weak loan demand or excess liquidity. PBB's Treasury Services Group, in coordination with the Bank's Asset and Liability Committee, ensures the Bank's liquidity, manages liquidity risk, manages the Bank's trading portfolio of domestic treasury debt, corporate bonds, foreign currency denominated bonds, and other financial instruments.

in Php millions	2019	2024	CAGR
At fair value through profit or loss	4,677.2	10,173.8	16.82%
Available-for-sale	9,223.1	14,326.4	9.2%
Held-to-maturity	853.5	1,270.3	8.3%
Trading and investment securities	**14,753.8**	**25,770.5**	**11.8%**

3. Solid lending policies and practices

Despite the growth of PBB's loans and receivables, the Bank has successfully managed credit risk through its internal credit risk rating system, loan evaluation and approval practices, and other formal credit risk mitigating processes. Supplementing these formal processes is PBB's relationship and community-based approach to lending, which takes advantage of branch and account officers' position in their respective communities to analyze prospective borrowers' reputation, business performance and risks, and other credit evaluation factors.

The Bank believes that the advantages brought about by these processes have equal weight to its formal credit evaluation efforts, especially for prospective SME clients.

in %	2019	2020	2021	2022	2023	2024
Non-performing loans ratio	2.33%	4.07%	4.33%	5.37%	5.70%	5.67%

The Bank's NPL ratio stood at 5.67% as of 2024. The Bank performs regular portfolio management reviews to determine potentially problematic accounts and initiate corrective actions if needed.

4. Sound balance sheet well-positioned for growth

PBB has consistently maintained a sound balance sheet which positions the Bank for future growth. Liquidity, as measured by the ratio of loans to deposit, was at 92.22% in 2024.

in %	2019	2020	2021	2022	2023	2024
Loans-to-deposit ratio	91.66%	88.93%	81.55%	90.41%	92.78%	92.22%

5. Strong capital base is the foundation to PBB's increasing size

in %	2019	2020	2021	2022	2023	2024
Equity, in bn	12.87	13.88	14.46	14.58	18.01	**19.36**
Tier 1 CAR	12.80%	13.27%	11.08%	13.06%	12.25%	**11.77%**
CAR	13.70%	14.15%	11.82%	13.85%	13.15%	**12.66%**

PBB's CAR and Tier 1 CAR are consistently above the BSP thresholds of 10.0% and 7.5%, respectively. The Bank continues to monitor its capital levels relative to its business needs and requirements.

6. Highly competent and experienced management team

With significant oversight from the Board of Directors, PBB is managed and run by officers who have extensive experience in banking operations from leading universal and commercial banks in the country. With the experience and track record of officers, from the head office and throughout its branch network, the Bank is assured that it possesses extensive knowledge of all aspects of the banking industry, strong relationships with other banks and financial institutions, and familiarity with the Bank's target clients and their banking needs.

Financial Highlights

Total Resources (in billion Pesos)

Total Deposit Liabilities (in billion Pesos)

Total Loans (in billion Pesos)

Net Income (in million Pesos)

Capital Fund (in billion Pesos)

Financial Summary

in Php millions, except per share data	31-Dec-24	31-Dec-23	% growth
Profitability			
Net interest income	6,664	6,421	3.8
Non-interest income[1]	762	981	(22.3)
Non-interest expense[2]	(4,072)	(4,009)	1.6
Core income	3,442	3,105	10.9
Pre-tax pre-provision profit	3,354	3,393	(1.1)
Allowance for credit losses	(958)	(1,053)	(9.0)
Net income	1,782	1,824	(2.3)
Selected balance sheet data			
Liquid assets	33,886	32,035	5.8
Loans and other receivables	128,272	117,564	9.1
Assets	167,992	154,414	8.8
Deposits	139,094	126,719	9.8
Equity	19,360	18,014	7.5
Per common share data			
Net income per share:			
Basic	2.13	2.23	(2.4)
Diluted	2.13	2.23	(2.4)
Book value	22.89	21.25	7.7
Others			
Headcount	1,856	1,748	6.2
Officer	846	795	64
Staff	1,010	953	6.0
Selected ratios			
Return on average equity	9.54%	11.19%	
Return on average assets	1.11%	1.26%	
Net Tier 1 CAR	11.77%	12.25%	
Capital adequacy ratio	12.66%	13.15%	

[1] *Non-interest income excludes trading gains*
[2] *Non-interest income includes trading losses*

Message from the Chairman Emeritus

Dear Fellow Shareholders,

We Make Things Happen Today!

The Philippine economy demonstrated resilience and growth over the past year. Strong industrial and service activity was driven by robust domestic demand. Significant public investment in infrastructure also contributed to this growth. In recent years, the banking system has strengthened considerably, positioning itself well to support the country's continued development. Additionally, the regulatory framework has evolved, emphasizing high compliance standards, operational resilience, and a proactive approach to identifying and managing potential risks.

During fiscal year 2024, PBB maintained its focus on growing risk-adjusted profits by exploring opportunities across various business segments and geographic areas, while adhering to strict risk and compliance guidelines. PBB's balance sheet remained robust while maintaining its profitability. Total resources expanded to ₱168.0 billion, deposit liabilities grew steadily, and the Bank's net loans and receivables strengthened, reflecting the trust and confidence of our valued clients. PBB's financial resilience throughout the year is a testament to our sound management practices and the enduring strength of our core businesses. Business growth was widespread, driven by the Bank's emphasis on the SME markets and related ecosystems. Enhancements to delivery systems, with a focus on resilience, efficiency, and customer experience, remained key priorities for the PBB. The Bank's asset quality is robust, and its capital levels exceed regulatory requirements. A strong balance sheet, a well-respected brand, and a broad network provide a solid foundation for the Bank's growth in the coming years.

"PBB's balance sheet remained robust while maintaining its profitability. Total resources expanded to P168.0 billion, deposit liabilities grew steadily, and the Bank's net loans and receivables strengthened, reflecting the trust and confidence of our valued clients."

The Bank is implementing several initiatives to simplify the banking experience for its customers. We have adopted a customer-centric approach with the primary goal of meeting all of our clients' banking needs in a comprehensive manner. Our strategy is grounded in the principle of "One Team. One Bank." This approach aims to build trust with both our internal and external customers, fostering long-term value creation and increasing the Bank's share of business opportunities. Integrity, commitment, and passion are core values that guide us in serving our customers, and every employee is expected to uphold these principles while representing the organization.

The rapid increase in the adoption of digital banking in recent years has significantly heightened the demands for operational resilience and effective management of the technology-related risks in banking. The Bank is committed to strengthening its technology infrastructure, focusing on key pillars such as scalability, resilience, and security. Information security is a top priority and is viewed as an essential component of our technology implementation. The Bank has initiated various measures to revamp its digital platforms and enhance core applications in order to handle increased business volumes. We emphasize the continuous improvement of operational resilience to ensure seamless service delivery and enhance customer satisfaction.

In fiscal 2024, PBB made significant progress on its sustainability journey. The achievements during this period reinforced the Bank's commitment to environmental, social, and governance (ESG) principles. Additionally, the Bank continued to integrate climate change-related risks into its risk management framework. A key area of focus is building employees' understanding of sustainability and ESG, with the aim of embedding these principles across all relevant operations of the Bank.

The Bank has dedicated significant resources to its Corporate Social Responsibility (CSR) activities. These initiatives focus on three main areas: healthcare, education, and community development. They encompass both large-scale projects and smaller, localized efforts within these thematic areas, reaching communities across the region.

The Board is dedicated to upholding the highest standards of corporate governance and will continuously review and enhance these practices. We strive to strengthen various policies and frameworks while maintaining oversight of risk management, audit, and compliance with all applicable laws through our committees. The Board places a strong emphasis on creating an effective risk and compliance culture within the Bank. We are committed to ensuring organizational resilience and adaptability to evolving technological developments. The Board will continue to engage with all stakeholders with integrity, dedication, and passion.

As we look to the future, the Philippine economy shows promising potential despite ongoing uncertainties in global geopolitical and economic conditions. Our Bank is well-positioned to pursue profitable business opportunities while emphasizing operational resilience and balancing risks with rewards. We would like to express our gratitude to all our stakeholders and look forward to your continued support.

I would like to express my gratitude to my colleagues on the Board, the regulators, the management team, the employees, and all stakeholders for their support. The progress the Bank has made in various areas, including strengthening its franchise and balance sheet, is commendable. I am confident that the Bank will build upon this foundation to create sustainable value for all its stakeholders.

My sincere thanks to the Bangko Sentral ng Pilipinas for their proactive role in maintaining stability and resilience in the banking system by implementing various preemptive and prudent measures throughout the period.

Sincerely,

Ambassador Alfredo M. Yao
Chairman Emeritus

Message from the Chairman & Vice Chairman and President/CEO

Dear Fellow Shareholders,

In a year defined by shifting economic tides and elevated uncertainty, Philippine Business Bank stood firm—anchored on our mission to deliver higher standards every day, and guided by our unwavering commitment to helping our valued clients thrive even during uncertain times.

Our ability to navigate the challenges of 2024 was made possible not by individual brilliance, but by collective effort. The spirit of *One Team, One Bank* defined our journey this year—uniting all of us under one purpose, one direction, and one goal. It is through this culture of shared responsibility and collaboration that we have sustained our momentum and delivered results that speak to our collective resilience, strength, and determination.

Navigating the Headwinds of 2024

The economic environment in 2024 posed significant challenges for the banking industry. Inflation remained elevated, and the interest rate trajectory diverged from expectations toward the end of the year. Geopolitical tensions, energy price volatility, and the impact of climate-related risks all played a role in driving market uncertainty. For the Philippine banking sector, these translated to margin pressures, shifting investor sentiment, and more cautious consumer demand.

Despite these headwinds, PBB held its ground and demonstrated remarkable financial stability. Our net income remained steady at ₱1.8 billion—highlighting the resilience of our business and the strength of our core operations. In the face of a turbulent external environment, this performance is a reflection of strategic clarity and organizational unity.
Core Growth, Solid Fundamentals

PBB's core income rose by 10.9% to ₱3.4 billion in 2024. Interest income increased by 14.4% year-on-year to ₱10.6 billion, while net interest income reached ₱6.7 billion—supported by quality loan growth and prudent balance sheet management. Loans and receivables expanded to ₱128.3 billion, up ₱10.7 billion year-on-year, while deposit liabilities reached ₱139.1 billion.

Our total resources climbed to ₱168.0 billion and shareholders' equity strengthened to ₱19.4 billion. PBB's capital adequacy ratio was 12.7% and minimum liquidity ratio at 23.0%, comfortably above regulatory requirements. Net interest margin stood at a healthy 4.3%, while returns on assets and equity ended at 1.1% and 9.5%, respectively. These figures reflect not just sound financial management, but the dedication of our teams—across branches and offices—working hand-in-hand as One Team, One Bank.

Excellence in Governance and Future-Ready

PBB's continued pursuit of excellence also extends to governance. We are proud to have received the Golden Arrow Award in recognition of our strong corporate governance practices. This distinction affirms the Bank's commitment to transparency, accountability, and the long-term interests of our stakeholders.

At the same time, we recognize that the future of banking is increasingly digital. In line with this, we have taken decisive steps to upgrade our IT infrastructure, enhance cybersecurity, and improve the customer experience through digital channels. These investments will ensure we continue to deliver accessible, secure, and responsive services to our valued clients—wherever and whenever they need us.

Strategy in Motion, Mission in Action

While the trading environment presented challenges in 2024, our core lending business showed strength. Our focus on operational excellence, risk discipline, and customer-centricity allowed us to deliver solid pre-provision profits of ₱3.4 billion and profit before tax of ₱2.4 billion. These are the results of deliberate strategy aimed at building sustainable, long-term value.

Looking ahead to 2025, our two-pronged approach will center on (1) strengthening our operational capabilities and efficiency, and (2) expanding our higher-margin segments, particularly in selected consumer loan products. This approach ensures we remain agile and well-positioned for continued growth.

Moving Forward with Confidence and Unity

As we look to the future, our vision remains clear: to build strong business communities where people can achieve their dreams. With renewed focus and unity of purpose, we will continue to support the entrepreneurial spirit of Filipino businesses, offer competitive financial solutions, and nurture meaningful relationships with all our stakeholders.

On behalf of the Board of Directors, I extend my heartfelt thanks foremost to our clients and customers for their continued trust, our shareholders for their enduring confidence, and especially to our employees—whose dedication and shared sense of mission embody the One Team, One Bank spirit that powers our journey forward.

Together, we will continue banking on excellence and building for changing times—resilient, future-ready, and steadfast in our purpose.

Jeffrey S. Yao
Chairman of the Board & CEO

Rolando R. Avante
Vice-Chairman, President

Principal Business Activities

PBB provides close to a full range of banking services and products, including cash management, retail and corporate lending, deposit products, international trade finance, treasury, and trust products.

Commercial Banking Group

The Commercial Banking Group services the middle market and the Small and Medium Enterprise (SME) segments, PBB's key clientele. The group carries out its business through its eight (8) business centers in key cities and municipalities nationwide.

The Commercial Banking Group is steadfast in its commitment to fostering strong and enduring relationships with our valued customers, particularly those in the middle market and small and medium enterprise (SME) segments. By understanding their evolving financial needs, we provide tailored solutions that empower businesses to thrive in a dynamic economic environment. Our customer-centric approach ensures that businesses receive the support, financial expertise, and strategic insights necessary to drive growth, enhance operational efficiency, and achieve long-term sustainability.

Engagement lies at the core of our commercial banking strategy, as we proactively collaborate with clients to help them navigate opportunities and challenges. Through personalized financial services, customized credit facilities, and innovative solutions, we enable businesses to optimize their financial resources. Our relationship managers work closely with clients, ensuring that they have access to the right banking products and services that align with their expansion plans and working capital needs.

Internally, we maintain a strong culture of collaboration, leveraging synergies across various business units and external partners to deliver seamless banking experiences. By integrating banking solutions, streamlining operational processes, and enhancing risk management frameworks, we create an ecosystem that fosters financial stability and business resilience. Our commitment to partnership—both within the bank and with our clients—reinforces our role as a trusted advisor, enabling businesses to flourish and contribute to overall economic progress.

Principal Business Activities

Corporate Banking Group

The Corporate Banking Group is dedicated to fostering deep and enduring relationships with the country's leading conglomerates, top-tier corporations, and large enterprises. As a trusted financial partner, we provide suitable banking solutions designed for the unique needs of large-scale businesses, helping them realize their financial objectives and seize strategic opportunities. Our commitment to delivering high-value financial expertise allows us to support our clients in managing risk, optimizing capital structures, and achieving their long-term growth objectives.

At the heart of our corporate banking approach is a deep-rooted understanding of our relationships, built on trust, collaboration, and financial insights. We work closely with our clients to structure innovative capital financing solutions, from project financing and structured credit facilities to capital financing transactions. By understanding the intricacies of our clients' industries and business cycles, we provide customized financial strategies that enable them to execute expansion plans, fund major investments, and enhance operational efficiency.

Collaboration is key to delivering seamless banking experiences, and we continuously leverage synergies within the bank and with our external partners. By integrating corporate banking with our treasury, branch banking and transaction banking solutions, we create a holistic financial ecosystem that supports our clients' evolving needs. Our role as a strategic financial advisor, combined with our ability to mobilize capital effectively, reinforces our commitment to being a trusted partner in our clients' sustained success and industry leadership.

Consumer Banking Group

The Consumer Banking Group was primarily a sales support group of the branches for their depositors and target customers needing auto loans, housing loans and salary deducted loans. The group works hand in hand with the branches on customer acquisition, retention and maintenance.

However, in early 2022, when the Department of Education relaxed many restrictions against Private Lending Institutions (PLIs) such as extending loan tenor from three years to five years, and with the installation of a loan verifier within DepEd that mitigates loan default, the bank, being a licensed member of the DepEd saw an opportunity in this segment and invested resources on the product. The initial efforts in growing the business with the DepEd was quite a success in 2022. From a meager ₱32M volume in 2021 to ₱825M in 2022. Then from ₱825M in 2022 to ₱3.3B in 2024.

This revived loan product has become one of the major loan products under CBG and primarily driven by the group with its own sales acquisition, retention and maintenance teams. It is being seen as one of the main generators of revenue of the bank in the future.

The onslaught of the pandemic was so severe to consumers. This resulted in massive defaults in loans in almost all banks during and even after its end. The challenges brought by the pandemic were very hard to individual consumers in 2020 and were still prevalent in 2021 and 2022. The group still practices conservative lending policies while slowly easing restrictions in certain market niches and customer profiles that are already showing signs of recovery and stability. Collections and recovery are also of prime importance to the group and with this balanced focus, the Bank attained NPL levels on its auto loan and housing loan way far better than industry levels since the pandemic up to the latest BSP data.

Principal Business Activities

Retail Banking Segment

The Retail Banking Segment is engaged in the Bank's core business such as deposit and loan generation. The group is responsible for providing marketing support to branches via lead referrals, cash incentive programs, and cross-sell initiatives. It utilizes a decentralized sales strategy, allowing for tailor-fit tactical outreach initiatives within each locality. The Bank offers a comprehensive range of deposit products and services consisting of the following:

1. Regular Checking Account
2. Current Account Flexi (interest-bearing checking account)
3. Regular Savings Account
4. Payroll Account
5. SSS Pensioner Savings Account
6. Peso Time Deposit (Regular)
7. Hi-5 Time Deposit
8. Hi-Green Deposit - USDollar Time Deposit
9. Dollar Savings Account
10. Chinese Yuan/Renminbi Savings Account
11. Campus Savers – Kiddie Savings Account
12. Digital Banking (with ongoing enhancement)
13. Referrals of Trust services' products/investments,
14. Insurance business, FX buy and sell, and Consumer products such as Auto, Housing, Salary, and *Makaguro* loans

The group is composed of: (1) Branch Banking Group (BBG) which grows deposit levels, generates and services loan referrals, and sells trust and treasury products, they are assisted by the BBG Support Group in their administrative, expansion/relocations, marketing campaign and technical concerns; and (2) Retail Sales Group (RSG) which supplements and complements the marketing and sales effort of the Branch Banking Group.

The Bank also offers foreign exchange transactions, particularly in USD and RMB. PBB is one of the 14 banks authorized by the Bank of China (BOC) to convert Renminbi directly to Philippine peso. More importantly, the branches' focus revolves around building personal and professional ties in the community and fostering true business partnership relationships with the Bank's clients.

Treasury Services Group

Treasury Services Group's main responsibility is to manage and balance the daily cash flow and liquidity of funds of the Bank. The group also handles the Bank's investments in securities and foreign exchange.

The general mission of TSG is to manage the liquidity of the Bank. This means that all current and projected cash inflows and outflows must be monitored to ensure that there is sufficient cash to fund company operations, as well as to ensure that the excess cash is properly managed and invested. TSG is divided into four sub-units namely:

1. Assets & Liabilities Management: manages the Bank's resources and identifies opportunities in the interest differential business and is under the management of the Asset Management Committee;
2. Fixed Income Desk: monitors the daily movements of corporate bonds and US treasuries for investments and handles the trading of government securities and sovereign bonds;
3. Foreign Exchange Management Desk: oversees all foreign exchange transactions of PBB such as over-the-counter market for trading securities and interbank dealings; and,
4. Financial Market Sales and Distribution Unit: markets government securities and fixed income instruments to clients.

The group offers the following products and services:

- Philippine Domestic Dollar Transfer System – local transfer for US dollar;
- FX forward – hedging tools;
- Renminbi Transfer System - local transfer for Chinese yuan;
- Auto FX services – against USD;
- Telegraphic transfer - international cable transfer;
- Renminbi / CNY deposits;
- All other foreign exchanges, trade or non-trade related, and over-the-counter (OTC) whether against USD or PHP; and,
- Euro deposit (currently in the pipeline).

As the Bank continues to grow its balance sheet, available liquid capital, as well as its customer base, Treasury continues to be opportunistic in contributing to the Bank's profitability. This will be achieved through a combination of client flows as well as proprietary trading using the Bank's available liquidity.

Principal Business Activities

Trust and Investment Center
PBB's Trust and Investment Center (TIC) continues to build on its solid gains from the past five (5) years, with the trust and fiduciary business further growing its scale of operations in 2022. With its expanding product suite and distribution channels, TIC actively engages its clientele and provides investment solutions that ultimately aid them in achieving their financial goals and aspirations.

Through a wide array of products and services including investment management, escrows, insurance trusts, unit investment trust funds (UITFs), the group contributes in deepening relationships with the bank's clientele.
TIC likewise endeavors to help its corporate clients recognize the value of establishing their own employee benefit trusts as a tool for employee retention, a solution they could access via TIC's retirement fund management service.

With its array of business initiatives, TIC continues to establish itself in the local investment management industry as shown in its industry ranking. Despite challenging market conditions, TIC continues to add value to the bank's clientele by being cognizant of their evolving needs, along with targeted investments in systems and technology that are all in line with the Bank's digitization efforts.

PRODUCTS AND SERVICES OFFERED

PBB is a thrift bank that offers a range of commercial and consumer or retail banking products, trust services, and other related financial services such as mail and telegraphic transfers, safety deposit facilities, payment services, among others.

The corporate and commercial banking services include project financing, capital financing, term loans, working capital facilities, trade financing, export negotiations, discounting lines, and bills purchase facilities. We are the first savings bank to be allowed by the BSP to issue foreign currency-denominated letters of credit. We boast of our derivative license that allows us to assist our clients in hedging their short-term foreign exchange exposure. We also offer specialized loans for agriculture.

Consumer banking loans include brand new auto financing, home financing, group salary or personal loans, and teachers' loan.

As part of its commercial and consumer banking activities, PBB offers various deposit products to both its commercial and individual clients. These products include Peso-denominated current and savings accounts, foreign currency-denominated savings accounts, and both Peso and foreign currency time deposits.

The Bank's treasury manages the liquidity of PBB and is a key component in revenue and income generation through its investment and trading activities.

Products and services offered by PBB's trust operations include PBB's "Diamond Fund," a unit investment trust fund, investment management arrangements for both individual and commercial clients, escrow agency, security, safekeeping and depository arrangements, a funds management of employee benefit and pre-need plans, among other standard trust products and services.

Operational Highlights

List of 2024 Internal Training Programs Attended by PBB Employees

	TITLE
	Onboarding
1	Z.O.N.E. (Zoom Orientation for New Employees)
	Development Program
2	Branch Officers' Development Program (BODP)
3	Relationship Managers' Development Program (RMDP)
	Health and Wellness
4	DASH Diet: Dietary Approach Stop Hypertension
5	Diet & Mental Health - Food-Mood Connection
6	ETIQA HMO Benefits Orientation Attendance
7	ETIQA Wellness Session - Stress Management
8	General Wellness-Health and Fitness Goals
9	I'm Here to Help
10	MEDICARD HMO Benefits Orientation
11	Medicard Wellness Session - Stress, Anxiety or Depression
12	PERTUSSIS (Whooping Cough)
13	Wellness Session - Diabetes Awareness
14	Women for the Win
	Regulatory
15	AMLA Orientation
16	AMLA Refresher Course
17	AMLC Registration and Reporting Guidelines (ARRG) Course
18	Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Fundamentals Course
19	Targeted Financial Sanctions (TFS) Course
20	Corporate Governance Seminar
21	Privacy Awareness and Online Learning Assessment (PAOLA)
	Professional Effectiveness
22	5-Day MBA Executive Leadership (Day 5)
23	Accounting for Non-Accountants
24	Consultative Selling & Negotiations Workshop
25	Basic Financial Analysis
26	Credit Risk Management
27	Effective Virtual Presentation Skills
28	Emergency Drill Orientation
29	Engage to Excel
30	Exceture ISMS - Fundamentals Training
31	Fraud Detection Seminar
32	Information Security Awareness
33	Know Your Banking Laws
34	Let's Talk About Love
35	Let's Talk Money: A Countefeit Detection Webinar
36	Managing Customer Feedback
37	Managing T.I.M.E.
38	R.A.D.I.C.A.L. Sales Training
39	Supervision Strategies
40	UITF Certification Program (UCP)
41	Verifying Others' Written Signature (V.O.W.S)
42	Writing for Best Results

LIST OF 2024 EXTERNAL TRAINING PROGRAMS ATTENDED BY PBB EMPLOYEES

	TITLE
1	IBM Power and AIX Basic Training
2	108th BAP Treasury Certification Program
3	110th BAP Treasury Certification Program
4	14th Treasury Operations Certificate Program
5	58th MGM SSS, Pag-Ibig and Philhealth: Plans and Programs for 2024
6	Anti-Money Laundering Act (AMLA) Updates
7	APAC Operational Technology Security Summit
8	ASIA Universal SASE and ZTNA Demo Day
9	Auditing the Basics of IT Risk Mitigation
10	Basic Identification Documents (IDs), Business Documents and Income Documents Verification
11	Basic Occupational Safety and Health (BOSH) For Safety Officer 1
12	BSP-CTB Virtual Training Program on Risk Management and Compliance Risk Management
13	CISA Review Course
14	CompTIA Network+
15	Customer First! The Essential of Customer Service
16	Cybersecurity Governance, Risk and Compliance
17	Data Analysis: Understanding The Basics
18	Developing Audit Observations
19	Effective Credit and Collection Policy Formulation
20	Enterprise Risk Management
21	eScan Lunch and Learn
22	ESG and the Role of Internal Audit
23	Ethics for Internal Auditors 103: Intergrity and Moral Courage
24	FCF - Introduction To The Threat Landscape 2.0 Self Paced
25	Financial Markets and Corporate Finance
26	Financial Statement Analysis and Auditing 101
27	Foundations of Information Systems Auditing
28	Fundamentals of Security Incident Management
29	FX Global Code Webinar
30	Global Internal Audit Standards 2024: Domain II and V
31	GTAG 17: Auditing IT Governance
32	High-Impact Audit Reporting

	TITLE
33	Incident, Problem and Change Management
34	ISO 22307: Financial Services Privacy Impact Assessment Program
35	IT Project Management
36	Labor & Employment Laws 101: Comprehensive Guide to Philippine Labor Laws for the Private Sector
37	Leading with Convergence - Securing Wired and Wireless Networks
38	Lean Six Sigma Yellow Belt
39	Mandatory Lending, Legal Framework, Regulations and Reporting
40	Mitigating The Impact of Cybercrime
41	Next-Gen Cloud Integration and The Future of Hybrid: Red Hat Openshift On IBM LinuxOne
42	Occupational First Aid with CPR/AED Training Course
43	One-Year Course on Trust Operations & Investment
44	Philippine Taxation for HR Professional

	TITLE
45	Practical Approach in Applying CAAT's Using Excel
46	Professional Certificate in Effective Recruitment & Selection Strategies
47	Project Managements Fundamentals
48	Protecting Data and AI in 2024
49	Protecting Your Organization Amidst Continuously Evolving Cyber Threats: Cybersecurity Conference for Board Directors and Top Management
50	SASE Meets AI: Transform a Secure Hybrid World
51	SEC Certification Webinar for Phase 1 of the SEC Certification Examination
52	SEC Certification Webinar for Prospective Compliance Officers/Associated Persons for Broker Dealers in the Equities Market
53	Tools and Techniques for Effective Audit Committee Reporting
54	Understanding Data Analytics for Banking

Corporate Social Responsibilities

Mobile Blood Donation Program:
Blood Donors are Heroes

You have all seen or heard the slogan “Save a life, give blood,” but have you ever stopped to consider how much power is in that statement? Donating blood is an admirable and often heroic gesture, as countless lives are saved using the pints of donated fluid.

If one pint can save one life, imagine how many can be saved from the forty-seven bags raised by PBB during the “Mobile Blood Donation Activity” on February 2 and 19, 2024, held at PBB’s Annex Building and Z-Square Mall, respectively. This heroic activity is in partnership with United Doctors Medical Center (UDMC) and the Philippine Blood Center.

This life-saving act plays a critical role in healthcare, providing essential support for patients undergoing surgical procedures, managing chronic illnesses, or recovering from traumatic injuries. Blood donors are heroes because their commitment directly impacts lives.

“Be there for someone else. Give blood. Share life.”

UDMC

Department of Health
Philippine Blood Center

BALIK ESKWELA PROJECT
The AMY Foundation implements its Balik Eskwela Project every school year which aims to deliver school supplies to students from different public schools.

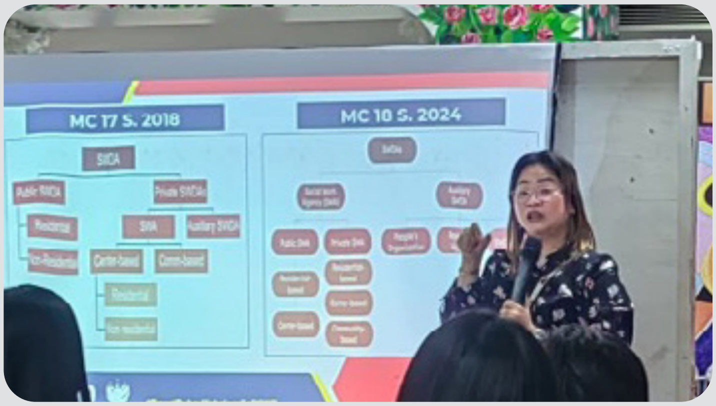
The distribution of school supplies took place on August 4, 2024 at the Barangay 54, Caloocan City where more than 120 students from the elementary, high school and senior high school departments benefited.

AMY Foundation representatives: Executive Director Lyn Gabrido, Finance Officer Jenny Magbuhos, and Program Officer Ruth Tamayo.

Fostering Solidarity Amidst the Changing Landscape of Social Service Delivery

The AMY Foundation, a member of the ABSNET North Cluster, attended its mid-year general assembly held on October 14, 2024 at the Bulwagang Katipunan, Caloocan City Hall.
The general assembly gave an overview of the revised accreditation and licensing process of becoming a Social Welfare Development Agency (SWDA). With this year's theme: Fostering Solidarity Amidst The Changing Landscape Of Social Service Delivery aims to enhance the competencies of the SWA in providing support to social workers in the delivery of programs and services.

AREA BASED STANDARD NETWORK (ABSNET) is a program under DSWD with the end goal of institutionalizing collaboration with the Social Welfare and Development Agencies (SWDAs) which constitute the intermediaries for social welfare services delivery.



AMY Foundation Gift-giving 2024

Every child should have their whole life ahead of them, but cancer is still one of the biggest causes of death in young people under the age of 15. Cancer is a leading cause of death for children around the world, and the likelihood of surviving a diagnosis of childhood cancer is approximately four times lower in under-resourced countries.

On December 12, 2024, the Philippine Business Bank (PBB) led by its V. Chairman & President/CEO, Rolando R. Avante, conducted its annual gift-giving activity – a Christmas outreach program, with the theme: "Ignite the Flame of Hope for Juvenile Cancer Patients." The event was held at the Z Square Mall for the benefit of the sick children under Undying Wishes of Pinoys, Inc.'s Munting Panaginip program, in cooperation with AMY Foundation.

The check amounting to ₱159,700 was turned over through Undying Wishes of Pinoys' representative, social worker Mr. Sergio Tolentino. Presenting the check are AMY Foundation Executive Director Linalyn D. Gabrido, and Vice Chairman & President/CEO Rolando R. Avante

The Undying Wishes of Pinoys, Inc. is an independent, nonsectarian, nonpolitical, not-for-profit, non-stock humanitarian organization committed to caring for others. It generates support for social welfare and community-based projects through fund campaigns and donor agency linkages.

During this Christmas activity, 38 children and their parents attended the celebration. Each family received Christmas ham and queso de bola, while the children enjoyed a magician's show and participated in exciting games. There were cotton candy and ice cream stations, adding even more delight to the celebration.

The PBB employees were able to raise ₱159,700.00 as a demonstration of empathy and compassion to infuse a glimmer of hope into the children's darkest corners of despair. In a country where access to childhood cancer treatment and support services may be limited, the importance of community and mutual support is paramount. Even with the small amount and this simple gesture shown by PBB, there is light to be found in the kindness of others and the strength of the human spirit.

UWPI
UNDYING WISHES OF PINOYS, INC.
(formerly United Way Philippines, Inc.)

Featured Events

PBB Adding Value to the SMEs for 27 Years

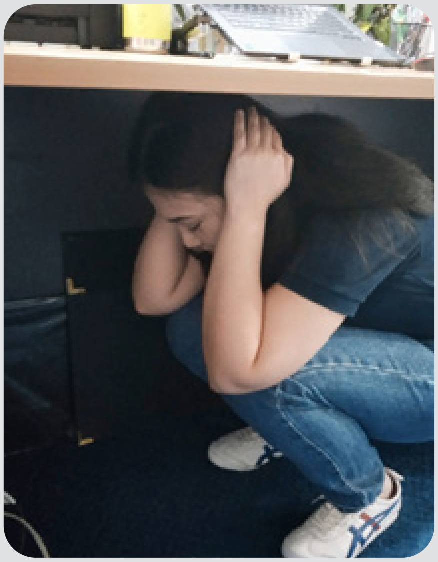
PBB's commitment has paved the way for its successful journey throughout the last twenty-seven years, leading to its becoming the number one stand-alone savings bank in the country, with 159 branches spanning three regions.

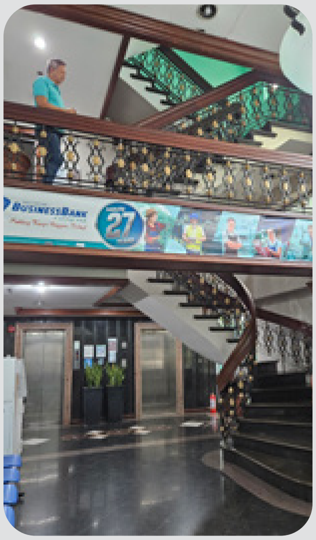
Mr. Rolando R. Avante, Vice Chairman and President/CEO of Philippine Business Bank (PBB) has remarked: "We are proud of what we have accomplished in the last decades and as we look to the future we will continue to build on the pillars that have helped us become what we are today. PBB will remain focused on the fundamentals of banking and its best practices with an emphasis on the SMEs. PBB's most valuable asset is its people and we will continue to strengthen and empower them as they are responsible for the Bank's operations at all levels. Most importantly, we will be whole-heartedly dedicated to our clients, shareholders, business partners and the communities we serve."

With its vision of being the lender of choice by the SMEs, PBB aims to help the progress of more local businesses, and is also engaging in more activities which will also extend loans to provincial areas. Being also a part of its social corporate responsibility, these efforts are a way to help uplift the plight of the entrepreneurs in the remote areas of the country.

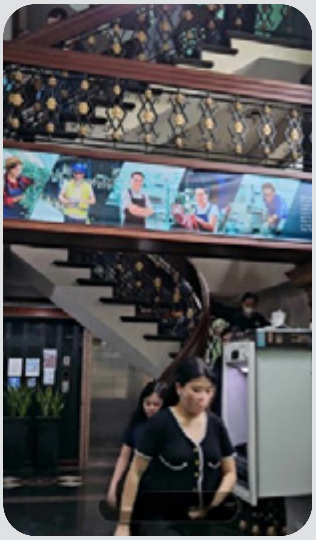
Mr. Avante commented that, "we are committed to supporting and empowering our SME clients to expand their businesses through personalized customer service, innovation, and best practices. As a financial institution that is "Making Things Happen, Today," our main priority is to provide financial tools and solutions that cater to the SMEs' specific and diversified needs, equipping them with the resources needed to better serve their markets.

Looking ahead, empowering the SME sector will continue to be a key priority for PBB, as we step up our efforts to support them through personalized financial solutions and implementing sustainable considerations into their operations. We are committed to being a value-adding partner in the SME ecosystem that looks to future-proof our clients, shaping a stronger economic landscape for the Philippines that all stakeholders can benefit from."





MOCK SCENARIO:
Before the bell rang.



MOCK SCENARIO:
During the ringing of the bell.

PBB Holds Earthquake Drill
Earthquakes in the Philippines, particularly in Metro Manila may be inevitable, but damage from them is not. First and foremost, take immediate action to be safe:

This month of March, thousands of Filipinos are getting ready for a seismic natural disaster of historic proportions. At 9:00 a.m. on March 22, 2024, the PBBankers will "drop, cover and hold" as part of a bankwide [earthquake] drill conducted by the Security Department of PBB headed by Major Gaudencio R. Santiago.

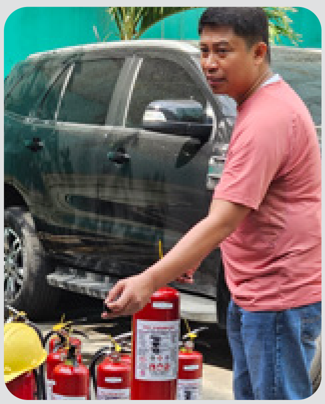
PBB Conducts Fire Drill
A fire drill is a structured and rehearsed exercise that aims to familiarize individuals with the necessary steps to take when a fire emergency occurs within the premises. The primary goal is to promote a quick, orderly, and safe evacuation of the individuals while avoiding the risk of injuries or casualties.

On March 22, 2024, Major Gaudencio R. Santiago, PBB's Chief Security Officer, conducted a fire drill to promote a safe environment in an office setting.

Fire drills are crucial for safety preparedness as they allow the practice of emergency procedures, minimize panic, and ensure effective evacuation during fire emergencies. Practicing fire drills will also educate participants on fire safety measures and promote compliance with regulations.

The heart of a fire drill is the practice of evacuation procedures. PBB employees should be familiarized with the building's escape routes, exit doors, and assembly points.

Demonstrate Proper Use of Fire Extinguishers: Ian Escote, PBB's Security Officer demonstrated the proper use of fire extinguishers. As part of the drill session, Mr. Escote instructed the [PBB] volunteers on correctly using and handling these fire extinguishers.



PBB Participates in San Beda's Family Day

The San Beda College Alabang Primary School Unit of the Integrated Basic Education Department celebrated its Family Day on March 14 and 15, 2024, on the school grounds.

This year's theme, "Super iBEDANs! Innovative, Brave, Empowered, Dynamic - Strengthening Family Ties and Beyond," featured a variety of engaging activities aimed at strengthening familial bonds and fostering solidarity among the 2,500 Bedan students, parents, guardians, and faculty members from the Primary Unit.

PBB recognizes the significance of "Family Day." It is a time for families to slow down and reconnect with one another. Spending quality time together helps create strong bonds, love, and meaningful relationships, fostering an emotional environment where members feel valued and cherished. During the celebration, PBB distributed free ballpens, fans, and Rite 'n Lite (a carbonated soft drink produced by ARC, PBB's sister company). Rite 'n Lite is designed for health-conscious individuals who seek a refreshing beverage that is aspartame-free and contains no added sugar, carbs, or calories.

PBB's participation not only enhanced the celebration but also supported the efforts of the Primary School Parent Teacher Council to maintain ongoing outreach initiatives for the adopted rural communities of San Beda College Alabang.

Featured Events

(L-R): Vice Chairman & PCEO Rolando R. Avante – PBB, Chairman & CEO Benjamin O. Yao – SLWI, President & Gen. Manager Wick A. Veloso – GSIS, President & CEO Michael O. De Jesus – DBP

Signing of a loan agreement for the 'SteelAsia Lemery Works, Inc.' : Supporting the construction of an environmentally friendly steel plant in Batangas

On April 22, 2024 the Philippine Business Bank (PBB) – the financial arm of the Yao Group of Companies signed a loan agreement with SteelAsia Lemery Works, Inc. for a project financing transaction of ₱11.45 billion to fund the construction of an environmentally friendly steel plant in Lemery, Batangas, and held a ceremonial event to commemorate the signing. The project will be co-financed by Government Service Insurance System (GSIS) and the Development Bank of the Philippines, among other institutions.

With an initial investment cost of ₱19.3 billion, SteelAsia's 500,000 MT Section mill project becomes the country's first steel production line project. Its 600 personnel will come from the local town and nearby areas.

"This loan will support the construction of a new, environment-friendly steel plant, thereby increasing the steelmaking capacity in the Philippines and will reduce greenhouse gas emissions in the steel industry. The said project includes the greenfield design, construction, and commissioning of the Philippines' first state-of-the-art hot-rolling production line with an upstream integrated recycling-based steelmaking. In doing so, it will also contribute to the achievement of sustainable development goals," according to PBB's Vice Chairman & PCEO Rolando R. Avante.

According to Mr. Benjamin O. Yao, Steel Asia Lemery Works, Inc's Chairman and CEO, local steel manufacturing is deemed insufficient to address the growing demand for the product, especially with the increasing consumption of sections from both infrastructure projects and private developments.

With this, Mr. Yao commits to support the goals of the nation of developing more infrastructure projects.

Further, SteelAsia's project has an import-substitution strategy targeting the large and fast-growing domestic market for the sale of the mills' output. The plant will manufacture using electric arc furnace (EAF) technology to refine steel which will be used to hot-roll steel sections such as H-beams, I-beams, I-channels, and unequal leg angle bars.

PBB's First Press Briefing for 2024
PBB's Corporate Affairs held a press briefing on April 26, 2024, at Hai Shin Lou Restaurant on Arnaiz Avenue, Makati City.

Mr. Joseph Jeeben R. Segui, PBB's CorPlan Head and Investor Relations Officer, opened the event by sharing the bank's financial performance. He announced, "For the year 2023, PBB achieved a record total income of ₱1.824 billion, marking a 39.1 percent increase from last year's ₱1.311 billion. Our core income reached ₱3.1 billion."

The briefing was attended by PBB's media partners, including representatives from Business World, the Philippine Star, the Philippine Daily Inquirer, the Manila Times, the Manila Bulletin, and several Chinese dailies such as World News, United Daily News, and Chinese Commercial News.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that pursuant to Section 4, Article II of the Amended By-Laws, the Annual Stockholder's Meeting of PHILIPPINE BUSINESS BANK ("PBB") will be held on Friday, May 31, 2024 at 2:00 PM to be conducted virtually via Zoom to confirm and ratify the following agenda, to wit:

Call to Order

1. Proof of Notice of Meeting
2. Certification of Quorum
3. Approval of the Minutes of the Annual Stockholders Meeting held on May 26, 2023
4. President & CEO's report on management operations for 2023
5. Ratification of the Audited Financial Statements for the year ending 31st December 2023
6. Ratification of Past Actions of the Board and of Management
7. Ratification/Confirmation of the appointment of external auditor by the Board of Directors
8. Election of Directors for 2024-2025
9. Other Matters
10. Adjournment

Only Stockholders of Record as of 5:30 p.m. of May 10, 2024 shall be entitled to vote at this meeting.

REQUIREMENTS AND PROCEDURES FOR ELECTRONIC VOTING IN ABSENTIA AND PARTICIPATION BY REMOTE COMMUNICATION

I. Registration

Stockholders intending to participate virtually should pre-register at corsec@pbbit.net on or before May 24, 2024 along with the following requirements:

- Scanned copy of valid government-issued ID showing the photo, signature and personal details.
- Contact number and valid/active e-mail address.
- For Corporate stockholders, scanned copy of the Secretary's Certificate authorizing the representative to participate in the virtual meeting for and in behalf of the corporation.
- For Scripless Stockholders or under PCD Brokers, scanned copy of the Broker Certification on the stockholder's number of shareholdings.

Validation process will be conducted together with Stock Transfer Services, Inc. (STSI). Successful registrants will receive an electronic confirmation via email with instructions on how to join the virtual meeting.

II. Electronic Voting In Absentia

All agenda items will be available in the link above-mentioned. Stockholders can vote on each agenda item and may choose to vote "Vote for Approval", "Vote Against" or "Abstain".

For the election of directors, a stockholder may distribute his votes equally among all the nominees or cast such number of votes for each nominee as preferred by the stockholder, provided that the total number of votes cast shall not exceed the number of shares owned by the stockholder, multiplied by the number of directors to be elected.

The Office of the Corporate Secretary, with the assistance of the STSI's representatives, will count and tabulate the votes cast in absentia together with the votes cast by proxy.

III. Participation through remote communication

The Bank's ASM will be broadcasted live and successful registrants can participate via remote communication. Instructions and procedures on how to attend the meeting through remote communication will be sent to the email address of the stockholder indicated in the registration form.

Stockholders who will not be able to join the virtual meeting may send their authorized representatives on their behalf. The Proxy instrument must be duly notarized and must be submitted on or before May 21, 2024.

For Proxy forms and other concerns, you may email us at corsec@pbbit.net.

The Definitive Information Statement and other relevant documents in relation to the annual stockholders' meeting may be accessed through the Bank's Official Website www.pbb.com.ph and through the PSE EDGE portal at https://edge.pse.com.ph

The meeting will be audio and virtually recorded and a copy of which will be available upon request.

All votes will be validated by our external auditor, Punongbayan and Araullo (P&A).

ATTY. ROBERTO S. SANTOS
Corporate Secretary

THE VIRTUAL ANNUAL STOCKHOLDERS' MEETING

Philippine Business Bank's Annual Stockholders' Meeting
Philippine Business Bank Chairman, Mr. Jeffrey S. Yao called the meeting to order on Friday – May 31, 2024 through remote communication. Mr. Yao confirmed and ratified at least eleven items in the agenda.

PBB's Vice Chairman and President/CEO, Mr. Rolando R. Avante discussed the financial highlights of the Bank focusing on record total income of ₱1.824 billion a 39.1 percent jump from last year's ₱1.311 billion earned, as core income reached Php3.1 billion.

PBB's financial performance remained resilient in 2023. Net interest income of Php5.547 billion in 2022 rose to Php6.421 billion in 2023, up 15.8 percent. Core income reached Php3.105 billion. Pre-tax pre-provision profit was at Php3.393 billion a 26.5 percent increase year-on-year. Profit before tax rose by 25.6 percent to Php2.339 billion in 2023.

The Bank's asset quality remained stable, with total net loans and receivables at Php117.6 billion from Php103.5 billion in the same period last year, increased by 13.5 percent. Despite challenging macroeconomic conditions in 2023, deposit liabilities were Php126.7 billion from Php114.5 billion in 2022. Low-cost deposits ("CASA") ended at Php68.3 billion, while time deposits ("TD") reached Php58.4 billion reflecting clients' confidence and trust in us. Total resources totaled Php154.4 billion as of December 2023, up by 14.8 percent.

The ASM team with the Vice Chairman & PCEO, and the Corporate Secretary

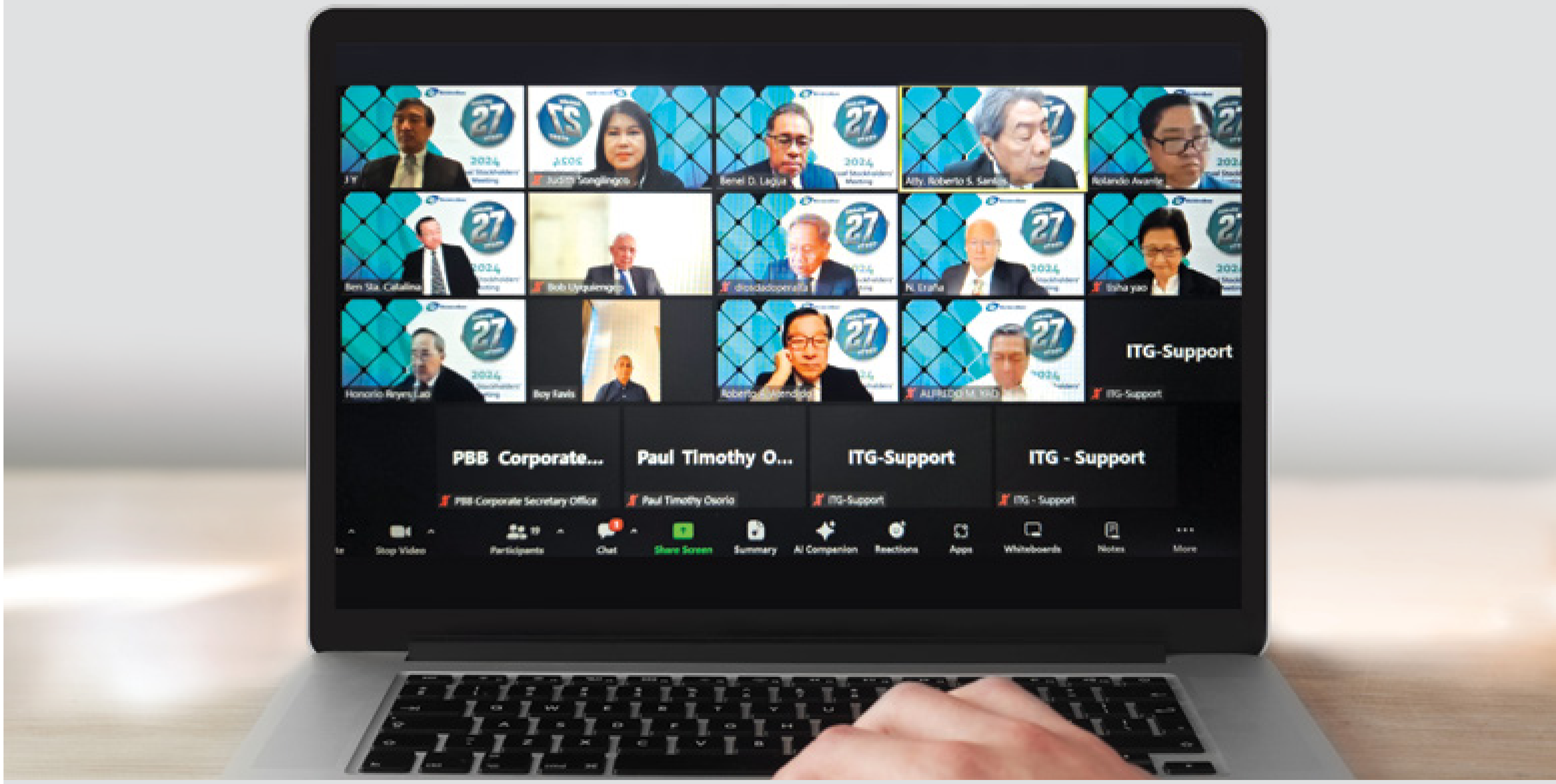
The ASM Team during rehearsals with the Chairman Emeritus, Mr. Alfredo M. Yao

Featured Events

Performance and profitability continue to grow, buoyed by the strong performance of the lending business, significant contribution of fee-based income, and the positive trading income.

Despite the stiff competition in the industry, the Bank's performance indicates PBB's expansion to a full-service financial institution. Maintaining its core income, generating trading gains and fee income, and growing its PTPP and net income is a testament to PBB's resiliency and discipline.

For 2025, PBB is optimistic that economic recovery will continue to drive positive results. The Bank's processes and procedures evolve as it identifies emerging opportunities to improve the way it serves its customers. As part of its strategic initiatives, PBB is working to deepen the relationships it has built with the communities and clients they have served over the last 27 years. PBB's thrust is to be the Bank of Choice of the SMEs.



(L-R) ECOP Chief Sergio Ortiz-Luis Jr., PBB BM-VP Jojy C. Palma, PBB Corp. Affairs Head Judith C. Songlingco

PBB Supports ECOP

Philippine Business Bank (PBB) participated in the recently concluded 45th National Conference of Employers held at the Manila Hotel on June 25-26, 2024.

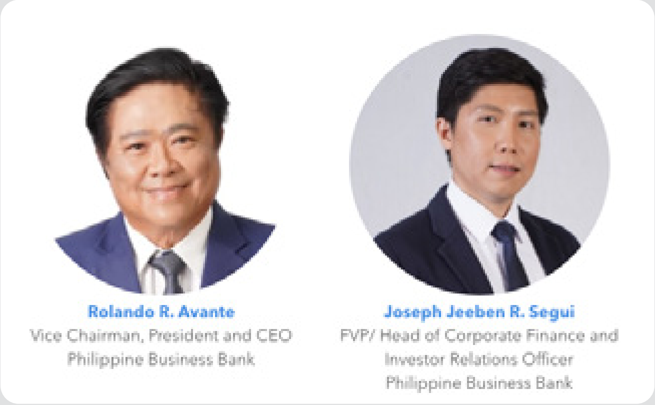
The conference has delved into technology as a catalyst for job generation and economic sustainability. This year's theme: Job Generation in a Technology-Driven Environment, the Employers Confederation of the Philippines (ECOP) urged the government to implement balanced policies that would benefit both business owners and worker.

The ECOP is pushing key focus areas to make the Filipino workforce cope with emerging technological disruptions, particularly artificial intelligence (AI). ECOP chairperson Mr. Edgardo Lacson during his speech at the conference said it is the task of employers to leverage technology and create new opportunities rather than replacing human labor, which is one of the many contentions when it comes to embracing AI. "To achieve this, we must focus on three key areas: education, policy, and innovation" added Mr. Lacson.

The ECOP also remarked that the government, in partnership with social partners, must develop national resilience programs, social protection mechanisms and transition strategies that will support both workers and employers from technological, climate and geopolitical disruptions.

Hosted by ECOP, the NCE is an annual event that convenes industry leaders, government officials, foreign investors, chambers of commerce and corporate executives to address employment-related matters.

Featured Events



Philippine Business Bank "PBB" is one of the participating listed companies in PSE's STAR 1H 2024

The PSE STAR (Strengthening Access and Reach) Investor Day 2024, scheduled on August 14 to 16, showcased a fresh lineup of PSE-listed companies. The three-day virtual event served as a platform for these companies to share their operating results for the first half of 2024, along with strategic initiatives and future growth prospects.

PBB shared invaluable insights on the last day of the 3-day session, FVP Joseph Jeeben R. Segui – PBB's IRO and Head of Corporate Finance presented the strong performance of the Bank while PBB's Vice Chairman and President/CEO Mr. Rolando R. Avante gave real-time answers to questions raised by the moderator and the audience.

PSE STAR is co-hosted by Bloomberg LP, with the Fund Managers Association of the Philippines (FMAP) and the Trust Officers Association of the Philippines (TOAP) as partners.

The PSE STAR portal provides investors additional information on companies through SPOTLIGHT and FEATURED BRIEFINGS. The former is a write up on each of the PLCs with a description of their business, information on their stock performance and their answers to sector and company-specific questions while the latter contains recorded briefings of PLCs that have taken part in past PSE STAR runs. Bloomberg analysts will also tackle their outlook on the economy and select sectors.

PBB Participates in the 50th PBC&E

Philippine Business Bank (PBB) – the financial arm of the Yao Group of Companies, together with Movenpick, Zest-O, and Asiawide Refreshments Corp. (RC Cola) participated in the 50th Philippine Business Conference and Expo of the Philippine Chamber of Commerce and Industry held at the Marriott Grand Ballroom on October 22 to 23, 2024.

This year's theme, "Embracing Innovation, Empowering Business, Enriching Lives" underscores the crucial role of innovation and learning as drivers of economic growth and long-term and inclusive development. It deep dives into sustainable growth strategies that are essential for businesses and organizations looking to thrive in today's ever-changing, competitive landscape. It focuses on the role of the private sector in championing a solid policy environment to expand the growth of the economy and enable it to integrate more strategically with the rest of the world. Furthermore, it solicits the support of various coalitions to create a solid base of partners that will complement the government's direction to seize, create and manage opportunities for the future.

This year's conference was interesting and nostalgic as it looks back to how PBC&E started, the role it played in shaping the country's economic and social landscapes, and how it helped businesses position and take advantage of new and emerging opportunities.

PBB participates annually in PCCI's event to demonstrate its commitment to empowering businesses, particularly small and medium enterprises.

Featured Events

PBB 3Q2024 Results Analyst Briefing
Discussion of the full-year 2023 and third-quarter 2024 financial and operating results was held at Fely J's Restaurant in Greenbelt 5, Makati City, on November 15, 2024.

Mr. Joseph Jeeben R. Segui, the Head of Corporate Planning and Investor Relations Officer at PBB, opened the discussion by sharing insights into the bank's financial performance. He announced, "PBB posted record-high earnings in the first nine months of the year, with its loan portfolio expanding alongside the growth of the consumer business."

"This growth was driven by our ability to capitalize on the high-interest rate environment, effective cost management, and a 50-percent increase in fee-based income," added Rolando R. Avante, PBB's Vice Chairman and President/CEO.

PBB reported a net income surge of 57 percent, reaching P1.8 billion, which corresponds to the bank's full-year earnings for 2023. The core income also increased by 8.7 percent, totaling P2.4 billion. Net interest income experienced a notable rise of 16 percent, amounting to P7.83 billion. This growth was largely due to the bank's strategic focus on the high-yielding consumer sector while continuing to support small- and medium-sized enterprises.

The bank is consistently upgrading its capabilities for the future. Senior management believes that by further strengthening its dominant position in the SME market and sustaining its growth momentum, PBB can achieve its aspiration of becoming a major player in the Philippine financial services sector.

Mr. Segui discussed the strategies PBB plans to implement to accelerate growth, including robust consumer credit practices. The bank's income will be bolstered through higher effective interest rates, increased fee-based income, and lower loan loss provisioning.

PBB is actively exploring potential merger and acquisition opportunities that will contribute to its growth and profitability. The bank is on the cusp of the required capitalization and is preparing to upgrade to universal bank status, bypassing the commercial bank status to offer more comprehensive products and services to its clients.

The briefing was attended by representatives from FMIC, PAPA, Regina Capital, UNI Capital, and East West Bank. Media partners from the Philippine Daily Inquirer, Business World, and United Daily News also graced the event with their presence.

Promo Highlight

PBB continuously recognizes the significant role of teachers in educating Filipino children through National Teachers' Month (NTM), which starts September 5 and culminates on October 5 in celebration of National Teachers' Day (NTD) and World Teachers' Day (WTD).

The raffle promotion, titled "HANDOG PARA KAY TEACHER: HAPPY TEACHER'S DAY!" was a three-month event that began on June 17, 2024, and concluded on September 30, 2024. The grand raffle draw took place on October 7, 2024, to celebrate World Teachers' Day.

This raffle promotion highlights the vital role that teachers play in developing globally-minded citizens, nurturing families, strengthening communities, and building the nation. It serves as an excellent opportunity to honor those in the teaching profession and express gratitude for the positive influence teachers have on Filipino learners.

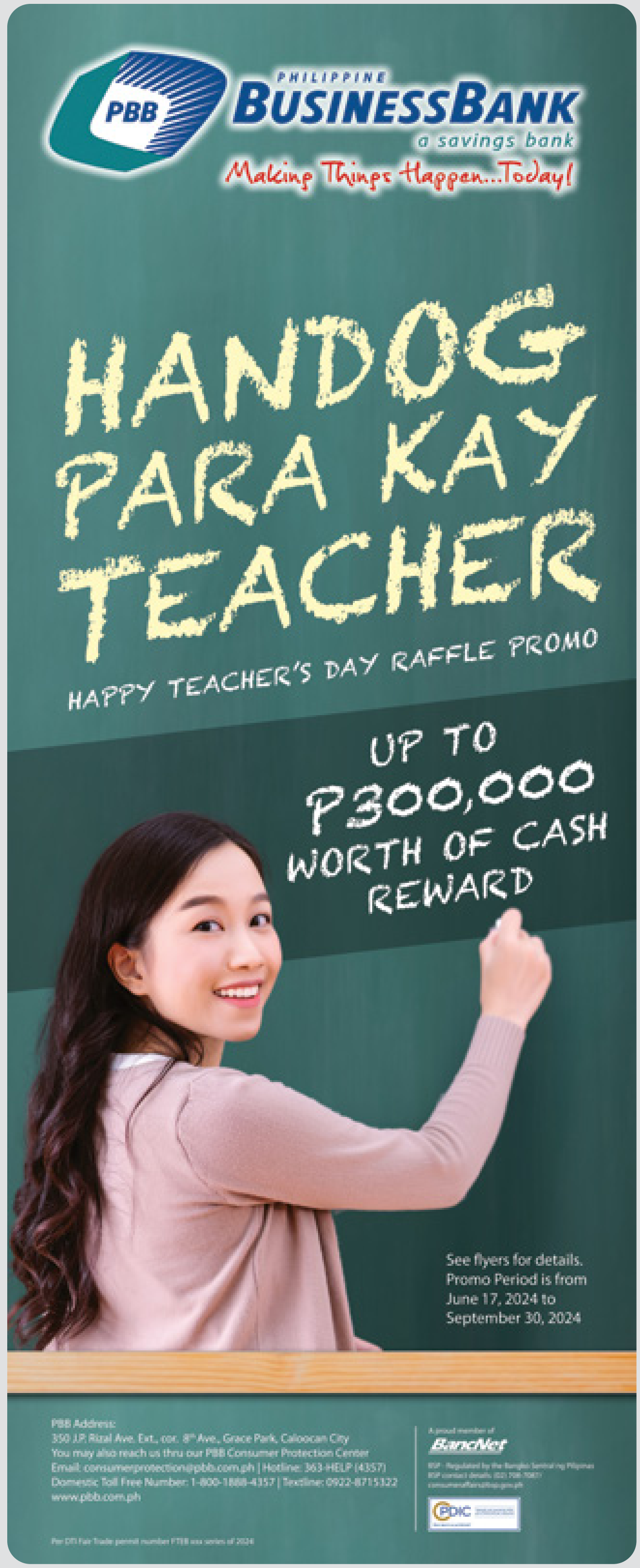
The promotion resulted in an increase of Php800 million in loans, with 2,600 borrowers.

The list of the Php10,000.00 winners is:

1. LESLIE AQUINO FLORES - Paniqui-Tarlac
2. ANTONIO DOMINGO DELLONA - Cauayan-Isabela
3. ROSEMARIE TOLENTINO AGAMATA - Camarin
4. RIZA ESGUERRA LABARDA - Baliuag
5. MARILOU BOBIER JAYME - Kalibo
6. LEA ROYO DECANO - San Pablo
7. AILEEN ILARDE GARCIA - Concepcion-Marikina
8. HUBERT LIGGAYU MARINAS - Santiago-Isabela
9. LEA KRIZZEL LOMA DELA PAZ - Calamba
10. 10. MERLINDA REYES DELA CRUZ - Gapan

The list of the Php20,000.00 winners is:

1. VANESSA FLORES RIGOS - Concepcion-Marikina
2. MARIA LUISA SUNGA RUBIANO - Balanga
3. JENNIELYN ANAHAW ABELLO - Biñan
4. ERLINDA GEGANTOCA URSOLINO - Ortigas Extension
5. HILARIA ENCARNACION CALMA - Gapan
6. ARNOLD OFALLA DELFIN - Roxas
7. SONNY DELA CRUZ EUSTAQUIO - Tarlac
8. CHARRA JOY BANZUELO - General Santos-Lagao
9. MARCIANO REYES DE GUZMAN - Gapan
10. JUDY PINGGARO SANTIAGO - Gapan



2024 AWARDS

ICD honors PBB in practicing good governance with its Golden Arrow Awards

For the second year in a row this year, Philippine Business Bank (PBB) was commended a Golden Arrow Award, which marks its compliance with corporate government standards and favorable standing with international best practices.

ICD presents the award to companies who have achieved a score of at least 80 points in the ACGS Assessment, which is composed of 184 questions based on publicly available disclosures on companies' websites. According to ICD, "it aims to raise the corporate governance standards and practices of the country and to make well-governed Philippine publicly listed companies and insurance companies attractive to investors."

Accepting the award for PBB is Director Roberto A. Atendido (center), along with Director Asterio L. Favis, Jr. (left) and Chief Compliance Officer Atty. Sergio M. Ceniza (right).

PBB BAGS THREE-PEAT with J. P. MORGAN US Dollar Clearing Elite Quality Recognition Award

PBB received the US Dollar Clearing Elite Quality Recognition Award for the third consecutive year. This recognition reflects PBB's exceptional performance in surpassing JP Morgan's strict Straight Through Processing (STP) standards. The STP rates were 99.92 percent in 2024, 99.94 percent in 2023, and 99.91 percent in 2022.

Since 1997, JP Morgan has recognized select US Dollar clearing clients who demonstrate exceptional operational excellence and outstanding straight-through processing (STP) results by properly formatting their SWIFT payments. This award is granted to clients achieving an STP rate above 99.70 percent. PBB has surpassed JP Morgan's stringent STP performance standard by maintaining an impressive average STP of 99.92 percent over the past three years.

The recognition awarded to PBB is a testament to its high performance quality. The awards were presented on March 14, 2025, at PBB's Executive Office in the Main Office Building located in Caloocan City.

(L-R) PBB's Operations and Control Group, International Banking Center Alvin Panganiban, Trade Officer, Carmela S. Villanueva, Head of Operations and Control Group, Arnold A. Labonete, Head of International Banking Center, Frenchen N. Lana, Head of Fund Transfer Section, from J.P. Morgan: Liz Enrile – de Santos, Executive Director, Financial Institution Sales Payments, Kat Rodriguez, Executive Director, Financial Institution Sales Payments, Evelyn Chiqui Magno, Vice President, Financial Institution Sales (Phil.), Charissa V. Mendoza, Manager, Client Service Account.

Accepting the 2022 award is Arnold A. Labonete, Head of International Banking Center from Liz Enrile – de Santos, Executive Director, Financial Institution Sales Payments of J.P. Morgan.

Carmela S. Villanueva, Head of Operations and Control Group, received the 2023 US Dollar Clearing Elite Quality Recognition Award.

The 2024 US Dollar Clearing Elite Quality Recognition Award was received by Frenchen N. Lana, Head of Fund Transfer Section.

Board of Directors

ALFREDO M. YAO
Chairman Emeritus

JEFFREY S. YAO
Chairman

ROLANDO R. AVANTE
Vice Chairman & President/CEO

DRA. LETICIA M. YAO
Director

HONORIO O. REYES-LAO
Director

ROBERTO A. ATENDIDO
Director

BENJAMIN R. STA. CATALINA, JR.
Director

(RET) CHIEF JUSTICE DIOSDADO M. PERALTA
Independent Director

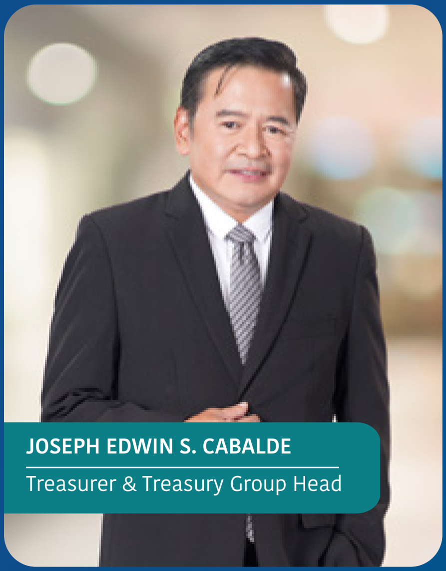
ATTY. ROBERTO C. UYQUIENGCO
Independent Director

NARCISO DL. ERAÑA
Independent Director

ASTERIO L. FAVIS, JR.
Independent Director

BENEL D. LAGUA
Independent Director

Senior Management


JOSEPH EDWIN S. CABALDE
Treasurer & Treasury Group Head


ARLON B. REYES
Chief Lending Officer


MARIA LOURDES G. TRINIDAD
Chief Risk Officer & Enterprise Risk Management Group Head


ATTY. SERGIO M. CENIZA
Chief Compliance Officer & Compliance Center Head


CARLOS OLIVER L. LEYTTE
Retail Banking Segment Head


LIZA JANE T. YAO
General Services Center & Administration Group Head

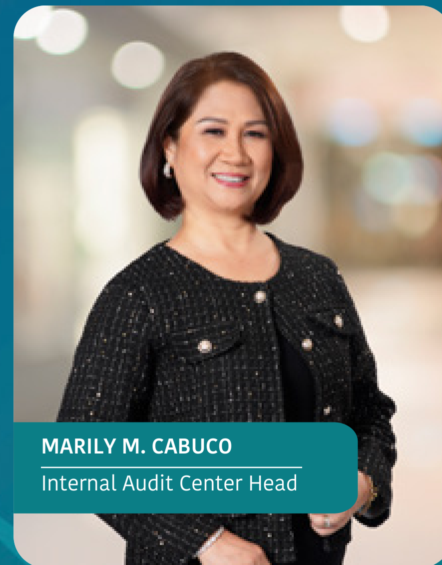

RODEL P. GENEBLAZO
Consumer Banking Group Head


ARTURO I. LIPIO, JR.
Trust Officer & Trust & Investment Center Head

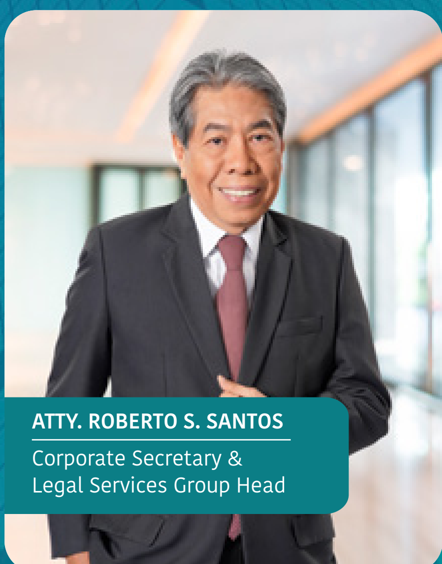

JOSEPH JEBEEN R. SEQUI
Investor Relations Officer & Corporate Planning Head

MIAMI V. TORRES
Credit Management Group Head

BENLEY B. UY
Information Technology Group Head



MARILY M. CABUCO
Internal Audit Center Head



ATTY. ROBERTO S. SANTOS
Corporate Secretary &
Legal Services Group Head

NANCY R. SORIANO
Human Resources Group Head

JUDITH C. SONGLINGCO
Corporate Affairs &
Brand Marketing Head

VANESSA A. CHUA
Corporate Banking Group Head (OIC)

LARRY F. ESCARILLA
Branch Operations &
Control Group Head (OIC)

Risk Management

Financial Risk Management Objectives and Policies
Philippine Business Bank (PBB), as a financial institution, is in the business of taking risks. Its activities expose the Bank to various risks. Without risks, there may be no rewards. The ability to manage risks effectively is vital for the Bank to sustain its growth and continue to create value for its shareholders. Risk management allows balance between taking risks and reducing the impact of said risks to the bank operations. The Bank continually updates and improves on its risk management processes and integrate them into the overall strategic business objectives to support the growth objectives of the Bank.

PBB aims to achieve a corporate risk culture where processes and structures are directed towards the effective management of potential opportunities and adverse effects to the Bank's business, as well as optimization and protection of its capital base and earnings with all its risk-taking activities.

Risk management fundamentals:

1. Portfolio management by designated and accountable risk personnel
2. Allocation of capital based on associated risks for each business unit
3. Denotation of processes and output into quantifiable measurements
4. Transparency and meritocracy

Enterprise Risk Management Framework

The Bank's Enterprise Risk Management (ERM) Framework is an integrated approach to the identification, measurement, monitoring, control, and disclosure of risks. Capital allocation and preservation through prudent limits and stringent controls is an integral part of the governance structure. The Board of Directors formulates the corporate risk policy, sets risk tolerances and appetite, and provide risk oversight function through the Risk Oversight Committee (ROC), which in turn supervises the Chief Risk Officer (CRO) / Head of the Enterprise Risk Management Group (ERMG) in the development and implementation of risk policies, processes and guidelines. The framework encompasses corporate governance and covers the risk spectrum of strategic, compliance, legal, reputational, IT, operational, market, liquidity, and credit. The ERM process flow is coordinated with all stakeholders of the organization and deploys three (3) lines of defense to ensure that the risk management objectives are achieved: management control, risk control & compliance oversight, and independent assurance.

Risk Management Process

The Bank envisions to achieve risk and return consciousness among employees, anchored on streamlined processes, reliable Management Information System, competent and responsible risk takers, and good internal control, monitoring and escalation system, and reward system to meritocracy. ERMG is tasked to institutionalize an effective risk management framework that will encompass the foregoing risk management processes.

1. Identify – defining the risk universe and identifying key risk exposures as to their relevance
2. Measure – quantifying extent of risk exposure on a specific and aggregate basis, and measuring probable impact to earnings, capital, and liquidity
3. Control – implementing the risk appetite of the Board through risk policies, and categorizing risks as to mitigation plans (eliminate, minimize, or retains risks)
4. Monitor and report – monitoring effectiveness of risk mitigation controls and reporting risk exposure levels and actions taken to appropriate bodies (Board, ROC, senior management), for better risk governance

The Risk Oversight Committee, supported by ERMG and in constant coordination with executive and other board-level committees, oversees the risk profile and risk management framework/processes of PBB. This ensures that risks arising from the Bank's business activities are properly managed, integrated into, and used as basis for overall governance, strategy and planning, decision making and accountability purposes at all relevant levels of the organization.

ERMG, headed by the Chief Risk Officer, develops and reviews risk policies, and elevates to management the various aspects of risks being faced by PBB. In addition, it also performs an oversight and monitors the performance of the different Business Units thru various reports and tools.

The Bank's philosophy is that responsibility for risk management resides at all levels in the organization. All PBB employees are considered risk managers. The Bank's corporate governance aims to achieve corporate culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects. ERMG shall continue to improve the framework in support of the Bank's strategic plans in order to achieve its mission, vision and objectives. Every organization's optimal efficiency depends heavily on the effectiveness of its risk management processes, thus, PBB's day-to-day activities are undertaken under the integrated risk management approach.

Further, the Bank incorporates the essential components of Model Risk Management framework as an integral process in risk management.

1st Line of Defense - Model Ownership (Modeler / User)	2nd Line of Defense - Model Control (Model Reviewer / Checker)	3rd Line of Defense - Model Validation (Model Validator)
The role lies with the end-user which is primarily responsible for ensuring that the model is properly used as well as for reporting any errors and inconsistencies. Role specifically includes: • More rigorous model testing during implementation phase. • Ongoing monitoring of model performance • Post implementation and testing. • Introducing an IT infrastructure allowing for model user feedback.	Conducts thorough inspection of model's quality by capturing potential operational errors and lapses. Adverse results should be coordinated with the modeler for correction and improvement or to the model validator for a more extensive review.	Function that oversees compliance with policies by the other two roles. The role is usually conducted by Compliance and / or Internal Audit Center. Role is: • More focused on process and controls rather than model-level content. • Focused on assessment of the process for establishing and monitoring limits on model use. • Should conduct clear documentation of findings noted and reported to senior management and Board.

Risk Management Policies and Objectives

Credit Risk Management

Credit risk emanates from exposures to borrowing customers, counterparty risk in trading activities, and contingent credit risks arising from trade finance exposures.

The Bank's Credit Risk Management Framework seeks to fundamentally strengthen credit risk management practices and provide a minimum set of operating standards that are consistent with BSP regulations and the Basel standards. PBB is committed to adopting sound policies and practices and institutionalizing these within the organization:

- Establish an appropriate credit risk environment
- Operate under a sound credit granting process
- Maintain an appropriate credit administration, measurement and monitoring process
- Maintain an appropriate control process

The Bank has instituted improvements on its credit policies, which includes large exposure and credit concentration and credit risk stress testing. Credit process streamlining has also been initiated to ensure that commensurate controls are in place while the Bank continues to device ways to improve on its credit process.

The initial recognition of credit risk by individual or group of related counterparties is done via its internal credit risk rating system (ICRRS). The ICRRS is tailored to consider various categories of counterparty. The rating system is further supplemented with external data such as credit rating agencies' scoring information on individual borrowers.

The ICRRS is created by the Bank with reference to the credit risk rating methodology utilized by an established rating agency to evaluate the creditworthiness of an individual borrower, regardless of the borrowing's status.
The Bank reviews and updates its risk ratings for its loan and receivables portfolio on a regular basis, taking into account changes in the economy, business environment, industry, and borrower's circumstances. This periodic assessment of credit quality may result in a borrower's rating being improved or downgraded over time. The credit risk ratings in ICRRS are designed to increase the risk of default exponentially as the risk rating increases, as indicated by differences in the PD. Past due accounts, accounts identified for phase-out, and those that share characteristics with classified loans are all included in the ICRRS, and their loan loss provisions are based on the loss given default.

Management considers additional information for each type of loan portfolio held by the Bank:

(i) Retail or Consumer Loans
Subsequent to initial recognition, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioral score. At the initial adoption of PFRS 9, the Expected Credit Loss (ECL) parameters were applied on a collective basis, considering the shared credit risk characteristics of the borrowers and the repayment schemes of the products. As part of the refinements, specific provisioning was implemented to address individual exposures with higher risk profiles. Additionally, seasonality factors were incorporated for accounts in current status that were initially categorized as Stage 3.

(ii) Corporate and Commercial Loans
For corporate and commercial loans, the rating is determined at the borrower level. A relationship manager will incorporate any updated or new information or credit assessments into the credit review system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as publicly available financial statements. This will determine the internal credit rating and the PD.

(iii) Debt Securities at Amortized Cost and at FVOCI
For the Bank's debt securities, credit ratings published by reputable external rating agency (such as S&P) are used. These ratings are continuously monitored and updated. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency.

In the process of applying the Bank's ICRRS in determining indications of impairment on individually significant items of financial assets at amortized cost and debt securities at FVOCI, the Bank analyzes the credit quality of the borrowers and counterparties through a set of criteria and rating scale classified into the following:

Risk Rating	Rating Description/Criteria
Excellent	Borrowers have very strong debt service capacity and have conservative balance sheet leverage
Strong	Borrower normally has a comfortable degree of stability, substance and diversity
Good	Borrowers have low probability of going into default and bear characteristics of some degree of stability and substance though susceptible to cyclical changes and higher degree of concentration of business risk either by product or by market
Satisfactory	Borrowers where clear risk elements exist and the probability of default is somewhat greater
Acceptable	Borrower where the nature of the exposure represents a higher risk because of extraordinary developments but for which a decreasing risk within acceptable period can be expected
Watch list	Borrowers for which unfavorable industry or company-specific risk factors represent a concern.

Classified accounts or accounts already in default as defined are further mapped into BSP classification of non-performing accounts as follows:

Classified	Has potential weaknesses that deserve management's close attention and if left uncorrected, these weaknesses may affect the repayment of the loan
Substandard	Have well-defined weakness/(es), that may jeopardize repayment/ liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower
Doubtful	Loans and credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable
Loss	Loans considered absolutely uncollectible or worthless

Credit exposures shall be regularly assessed and loan loss provision be recognized in a timely manner to ensure that capital is adequate to support such risk exposure. To ensure that this is rationally implemented, the Bank developed and adopted an internal expected credit loss methodology described herein.

Loan Loss Methodology (LLM)

This is a methodology for calculating the Expected Credit Loss (ECL) of each exposure. The internal LLM consists broadly of three (3) major components of which one emanates from the ICCRS and the other is based on historical recovery rate on credit facilities while the last is the credit exposure at any given time. The probability of default (PD) depends on the result of the flow-rates analysis based on the bank's monthly loan portfolio for the period of 5 years. while the other components are the loss given default on facilities and the exposure at default. There are three stages of impairment recognition pursuant to IFRS 9/ PFRS 9 as follows:

Stage 1 – origination /all current accounts except current restructured loans
Stage 2 – performing but there is occurrence of loss event
Stage 3 – financial assets considered credit impaired.

To calculate Expected Credit Loss (ECL), the Bank primarily uses forward-looking information, including macroeconomic indicators such as employment and unemployment rates, inflation, peso purchasing power, core inflation rate, GDP, and other macroeconomic variables from the BSP that could impact the Bank's Past Due Ratio. The Bank employs a trial-and-error method to determine if there is a potential correlation between macroeconomic variables.

Market and Liquidity Risk Management

Market risks are risk to earnings and capital arising from market-making, dealing, and position taking in interest rate and foreign exchange markets (both for on and off-balance sheet). Liquidity risk on the other hand, is the inability of the Bank to fund increases in assets, or liquidate assets and meet obligations as they fall due (funding liquidity risk and market liquidity risk).

To measure market and liquidity risk exposure, the PBB utilizes the following metrics:

Metrics	*Risk Area*	*Description*
VaR	Market risk	Expected loss on a position from an adverse movement in identified market risk parameter(s) with a specified probability over a nominated period of time.
Earnings-at-Risk	IRBB	Measures the amount of potential loss to net interest income as a result of projected change in interest rates over the next 12 months. This involves balance sheet items that are classified according to their repricing characteristic/behavior as bucketed in the Interest Rate Gap report
Economic Value of Equity (EVE)	IRBB	The EVE measure gauges the potential impact of change in interest rate on the Fair value of the Bank's asset and liabilities
Maximum Cumulative Outflow	Liquidity risk	The Maximum Cumulative Outflow (MCO) measures the amount of prospective funding that the Bank would require at assumed future movements of on and off-balance sheet assets and liabilities taking into consideration the behavior of accounts as to roll-over, pre-termination, as well as the core deposits. This shall be prepared separately for the Peso, Dollar, and Consolidated Books.
Stress testing	All risk areas	To measure the impact of abnormal and extreme events on the Bank's market risk exposures. Also includes statutory requirements for Universal Banks in terms of liquidity (i.e. LCR, NSFR)

Starting January 1, 2018, PBB has adapted PFRS 9 (as replacement for PAS 39). Pursuant to PFRS 9 in managing financial assets, the Bank adopts the following business model:

Of the total funds allotted to Treasury, the following would be the distribution:

a. Resources for its trading activities will be allocated and classified as Financial Assets measured at Fair Value through Profit and Loss (FVPL).

b. Resources for interest income generating activity that will include interbank call loans and reserve eligible financial instruments will be allocated and classified as Financial Assets measured at Amortized Cost (HTC).

c. While the primary purpose of FVOCI securities is to collect contractual cash flow pending sale at a future date, or residual investments, as necessitated by rebalancing of fund allocation for yield optimization and / or liquidity purposes.

Business Model	Key Features	Measurement Category
Hold to Collect (HTC)	The objective of the business model is to hold the assets to collect contractual cash flows	Amortized Cost
Fair Value Through Other Comprehensive Income (FVOCI)	The objective of the business model is achieved both by collecting contractual cash flows and selling financial assets; and the asset's contractual cash flows represent Strictly Payment of Principal plus interest (SPPI)	Fair Value with Unrealized Gain / Loss as Other Comprehensive Income (Capital Account)
Fair Value through Profit and Loss (FVPL)	This is the residual category. Financial assets should be classified as FVPL if they do not meet the criteria of FVOCI or amortized cost (HTC)	Fair Value

Operational Risk Management

Operational risk covers potential losses other than market and credit risk arising from failures of people, process, systems and information technology, and external events.

To strengthen operational risk management in PBB, the Bank has appointed risk coordinators for each group and / or major business unit. The risk coordinators undergo coaching from the ERMG Operational Risk Management (ORM) Team through regular meetings to discuss and plan for the execution of operational risk management framework and guidelines. The risk coordinators act as point persons for the general coordination of operational risk management initiatives between ERMG ORM and the rest of the Bank.

The Operational Risk Management Framework has been enhanced as follows:

The Bank has enhanced its Risk & Control Self-Assessment Framework by specifying the metrics for operational impact measurement of risk events, providing for risk events that are specific for each responding team, and capturing the residual risk in the analysis and consolidation process.

Key Risk Indicators (KRI) are instituted, measured, and reported monthly to the Risk Oversight Committee, to support operational risk monitoring and reporting. The Bank uses the RCSA and audit results as primary sources of KRIs that need attention or further development.

To support the efficient gathering of data/information from all groups in Operational Risk Management, ERMG deployed the ORM Assistant System which houses the RCSA, KRI, and Incident/Loss Event Reporting Modules.

Operationally, the Bank started using a new Core Banking System (CBS) in November 2021. The new inter-dependencies of the integrated systems are part of what the Bank aims to identify in the Business Impact Analysis exercise. The BIA will complement the Bank's Business Continuity Plan, as well as the Disaster Recovery Plan of the IT Group, focusing on the recovery time and recovery point objectives. The Bank also conducts its regular quarterly call tree test exercises and tabletop discussions, and enjoins the assembly of the Emergency-Go-Bag for each employee. Emergency Action Plans are being updated and security drills are being coordinated with the local government units. ERMG regularly sends out advisories on business continuity protocols and disaster alerts to keep everyone on the watch, while maintaining parallel communication lines with the risk coordinators and the Crisis Management Committee for all alerts related to the operational risk management in PBB.

Information Security

Information Security risk as defined by the Bank is the risk of loss resulting from information security / cyber security breaches. An Information Security Management System (ISMS) has been developed in order to address the growing threats to information assets of the Bank. ISMS includes security policies and guidelines, security organization and processes, technical and physical safeguards, among others.

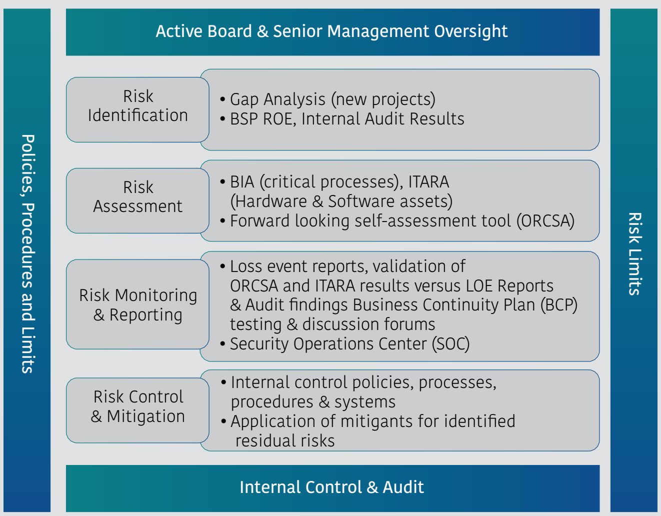
For several years, ERMG has implemented several activities in the areas of Information Security Governance and Monitoring in support to the Bank's corporate strategy. These include:

- enhancement of Information Security Policies, to align with ISO 27001 standard, as well as guidelines and procedures to support its implementation
- enhancement of Information Security Program (ISP)
- conduct of Information Security Awareness orientation to new and regular employees
- bi-monthly release of information security advisories
- monitoring of Vulnerability Assessment and Penetration Testing (VAPT) activity and remediation of noted observations

- broader participation in IT projects (i.e., Managed Security Operations Center (MSOC), Internet and Mobile Banking (CBX), Document Management System (DMS), and Fraud Management System, to provide guidance and ensure information security is considered in all project phases
- facilitated the annual reporting of SWIFT CSP Assessment in compliance with SWIFT requirements
- enhancement of information security reporting to the Risk Oversight Committee, to include major KRIs
- increased monitoring of IT activities in relation to information security (e.g., malware detection, remote access, critical systems, unauthorized use of USB, obsolete systems, incident report, 3rd part monitoring)
- updating of the Information Security and Cyber security Assessment and Information Asset Register

In strengthening the risk assessment and implementation of controls in the operations of Philippine Business Bank, the following were implemented:

<u>Enhanced IT and Operational Risk Management Framework</u>



In terms of IT Enabled solutions, an enterprise-wide *Operations Gap Analysis* was conducted to identify the solutions that can narrow the gaps that expose the bank operations to risks. The end result is a Risk-Based Roadmap that enables a strategic and deliberate development and implementation of automated solutions for the operating units of the bank.

The institutionalized *Operational Risk and Control Self-Assessment (ORCSA)* was enhanced in alignment with the objectives of achieving a more reliable and representative assessment results.

To appropriately support the *Business Continuity Plan (BCP)* of the bank, a *Business Impact Analysis (BIA)* methodology was developed and implemented to accurately identify critical processes and logistical requirements to manage business disruptions. More importantly, the BIA exercise aims to revisit the critical activities' *Recovery Point Objective (RPO)* that will dictate the data recovery strategy of the bank.

Finally, the automated *Loss Event Reporting* was expanded to cover other critical groups.

For *Information Security Risk Management*, baseline information security policies were developed and implemented in the areas of User Access Management and monitoring.

As support to understanding deeper the necessity of Information Security Risk Management, the bank joined a collaborative project with five (5) other Financial Institutions to explore the setting up of *Shared Security Operations Center (SOC)* with the goal of establishing a much sought-after cyber security management system not to mention compliance to regulatory requirements.

A working IT Steering Committee is dedicated to oversee the automation program of the Bank to ensure that operating environment becomes competitive, advanced and up to the global standards and ready to digital communication challenges.

Capital Adequacy Management

The Bank's ability to sustain operations and engage in various risk-taking activities within the capital adequacy framework is the foremost risk management objective. PBB aims to sustain capital adequacy beyond what's prescribed by the BSP and the Basel standards. Towards this goal, capital charge allocation is part of the risk and reward metrics. The risk weighted assets must be supported by ample risk capital at all times.

	2024	2023	2022
Capital Stock	8,808	8,808	7,370
Additional Paid-in Capital	1,998	1,998	1,998
Surplus	7,928	6,537	6,812
Total Tier 1 Capital	18,734	17,343	16,180
Less: Deferred tax assets net of deferred tax liability	1,775	1,621	1,349
Goodwill	122	122	122
Other intangible assets	105	101	
Defined benefits pension fund accts	(95)	(58)	-
	1,907	1,786	1,471
Net Tier 1 Capital	16,827	15,557	14,709
Tier 2 Capital			
General loan loss provision, limited to a maximum of 1% of Credit risk-weighted assets	1,272	1,144	893
Total Qualifying Capital	18,099	16,701	15,602
Net Tier 1 Capital	16,827	15,557	14,709
Preferred Shares	(620)	(620)	(620)
Common Equity Tier 1 Capital	16,207	14,937	14,089
Risk Weighted Assets			
Credit Risk Weighted Assets	126,680	113,928	101,812
Operational Risk Wighted Assets	9,634	9,162	8,793
Market Risk Wighted Assets	6,615	3,942	2,015
Total risk-Weighted Assets	142,929	127,032	112,620
Capital ratios:			
Total qualifying capital expressed as percentage of tal risk-weighted assets	12.7	13.1	13.9
Common Equity tier 1 capital as expressed as percentage of total risk-weighted assets	11.3	11.8	12.5
Capital Conservation Buffer as espressed as Common Equity tier 1 capital minus 6	5.3	5.8	6.5
Net Tier 1 capital expressed as percentage of total risk-weighted assets	11.8	12.2	13.1

Comparative risk-wighted assets by type of exposure as of December 31, 2024, 2023 and 2022

	2024			2023			2022		
	Credit Risk	Market Risk	Operational Risk	Credit Risk	Market Risk	Operational Risk	Credit Risk	Market Risk	Operational Risk
On-Balance Sheet	127,134			114,181			101,621		
Off-Balance Sheet	28			181			191		
Counterparty									
Interest Rate Exposure		5,920			3,648			1,330	
Equity Exposure									
Foreign Exchange Exposures		694			294			684	
Operational			9,634			9,162			8,793
Total	127,162	6,614	9,634	114,362	3,942	9,162	101,812	2,014	8,793
Capital requirement	12,716	661	963	11,436	394	916	10,181	201	879

SEGMENT REPORTING

The Bank's main operating businesses are organized and managed separately according to the nature of services and products and the different markets served, with each segment representing a strategic business unit. These are also the basis of the Bank in reporting to its chief operation decision-maker for its strategic decision-making activities. Management currently identifies the Bank's service lines as primary operating segments:

a. Consumer Banking – includes auto financing, home financing, and salary or personal loans;
b. Corporate Banking – includes term loans, working capital credit lines, bills purchase and discounting lines;
c. Treasury Operations – manage liquidity of the Bank and is a key component in revenue and income generation through its trading and investment activities;
d. Retail Banking – includes the branch banking operations.

These segments are the basis on which the Bank reports its segment information. Transactions between the segments are on normal commercial terms and conditions.

Segment revenues and expenses that are directly attributable to the primary operating segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that operating segment are accordingly reflected as revenues and expenses of that operating segment. Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis.

The contribution of these various business activities to the Bank's revenues and income for the years 2024, 2023, and 2022 are as follows:

(Amounts in million PHP)	**Consumer**	**Corporate**	**Treasury**	**Retail**	**Total**
2024					
Net interest and other income					
From external customers					
Interest income	751	8,502	1,379	6	10,632
Interest expense	(280)	(3,173)	(515)		(3,968)
Net interest income	471	5,329	864	6	6,664
Non-interest income	-	268	398	180	666
	471	5,597	1,262	186	7,330
Expenses					
Operating expenses excluding depreciation and amortization	193	3,079	460	1,300	3,732
Impairment losses	77	882	-		959
Depreciation and amortization	24	271	80	41	375
	294	1,365	540	1,341	5,066

(Amounts in million PHP)	**Consumer**	**Corporate**	**Treasury**	**Retail**	**Total**
Segment operating income	177	1,365	722	(1,155)	2,264
Total resources and liabilities					
Total resources	10,723	120,449	35,372	1,491	166,544
Total liabilities	9,484	107,154	31,604	1,343	148,242

2023 December

	Consumer	Commercial	Treasury	Retail	Total
Revenues					
Interest income	588	7,565	1,134	9	9,296
Interest expenses	182	2,341	351		2,874
Net interest income	406	5,224	783	9	6,422
Non-interest income	37	286	250	191	764
	443	5,510	1,033	200	7,186
Expenses					
Operating expenses excluding depreciation and amortization	132	1,797	520	1,169	3,618
Impairment losses	76	977			1,053
Depreciation and amortizaton	16	222	74	44	356
	224	2,996	594	1,213	5,027
Segment operating income (loss)	219	2,514	439	(1,013)	2,159
Total resources and liabilities					
Total resources	8,123	110,779	32,040	1,737	152,679
Total liabilities	6,990	95,336	32,444	1,630	136,400

2022 December

	Consumer	Commercial	Treasury	Retail	Total
Revenues					
Interest income	501	5,157	918	4	6,580
Interest expenses	78	810	144		1,032
Net interest income	423	4,347	774	4	5,548
Non-interest income	64	664	99	-	827
	487	5,011	873	4	6,375
Expenses					
Operating expenses excluding depreciation and amortization	185	1,401	692	1,127	3,405
Impairment losses	73	748			821
Depreciation and amortizaton	17	199	66	46	328
	275	2,348	758	1,173	4,554
Segment operating income (loss)	212	2,663	115	(1,169)	1,821
Total resources and liabilities					
Total resources	7,242	97,821	27,063	945	133,071
Total liabilities	6,441	87,321	25,681	531	119,974

The **Risk Appetite Framework (RAF)** is the overall approach through which risk appetite in Philippine Business Bank (PBB) is established, communicated and monitored. This includes an established risk appetite statement, set of risk limits, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF.

PBB believes that at the highest level, the Board and the senior management need to have an understanding of the risks that the Bank is taking. Looking at the past financial crises, a key weakness is the gap between the risks that a bank takes and those that its Board and senior management perceive the bank to be taking. It is critical that the Board and senior management understand and consider the risk appetite and the risks being taken in assessing major business decisions.

The Bank's Board and senior management assess PBB‘s capacity for risk-taking, the amount of different risks they want PBB to take, and the current and targeted risk profile in evaluating and making decisions. This is the main purpose of the PBB Risk Appetite Framework.

PBB also believes that no business can thrive without taking on risks. Under the PBB Risk Appetite Framework, these risks are identified and quantified in a structured way that relates them to the Bank‘s business targets, objectives, and strategy. In the process, PBB risk-taking is specific, measured, and consistent within established limits.

The PBB Risk Appetite Framework also provides depth to risk management activities. It is the collective impact of risk-taking across the Bank that needs to be managed.

The PBB Risk Appetite Framework facilitates top-down direction from the Board through the Risk Appetite Statements, including their continuous monitoring and control. It also covers bottom-up information and insight from the different business and control functions through the periodic calibration of risk appetite limits and thresholds, as well as the regular reporting of risk profile vis-a-vis risk appetite.

To have an effective Risk Appetite Framework, PBB believes that the following must be present:

- Support from the executive level in making risk appetite the way PBB approaches risk.
- Independent risk function that will reach out to their colleagues in the business lines and advocate the risk appetite perspective
- Robust risk-aggregation process where risk definitions are uniformly understood across the bank
- Establishment of risk adjusted metrics (with the active buy-in of all business units) so that the risk appetite perspective takes root even outside of ERMG
- Change management as embedding risk appetite requires some deep-seated changes to be made to the way people do their jobs
- Risk culture within PBB that enables free flow of information up and down the hierarchy
- Risk culture that includes risk considerations into the crafting of business strategy, capital planning, day-to-day risk-taking by the business, governance and the design of remuneration plans.

Roles and Responsibilities

GROUP	RESPONSIBILITIES
Board of Directors	• The board of Directors is primarily responsible for approving the organization's risk appetite framework. It is also responsible for holding Senior Management accountable for the integrity of the risk appetite framework. The Board should conduct periodic high-level review of actual versus approved limits. Any breach should be dealt with accordingly.
President/Chief Executive Officer	• The President/Chief Executive Officer (CEO) is responsible for establishing the risk appetite for PBB. He is also responsible for translating the risk appetite into risk limits for business lines and subsidiaries. • The President/ CEO, together with the rest of the Senior Management team, should ensure that the risk appetite framework is implemented throughout the organization.
Chief Risk Officer	• The Chief Risk Officer (CRO) provides relevant inputs to the President/CEO and the ROC in developing PBB's risk appetite. He is responsible for actively monitoring PBB's risk profile relative to its risk appetite, strategy, business and capital plans, risk capacity, and compensating program. • The CRO is responsible for independently monitoring the business line and subsidiary risk limits against PBB's aggregate risk profile to ensure that it is aligned with the Bank's risk appetite. • The CRO is also responsible for establishing a process for reporting on risk and on alignment of risk appetite and risk profile with the Bank's business culture.
Business Line Heads	• Business line heads cascade the risk appetite statement and risk limits into their activities. They should establish and ensure adherence to approved risk limits. They are also responsible for implementing controls to effectively monitor and report risk limits adherence.
Internal Audit Center	• Internal Audit is responsible for independently assessing the integrity, design, and effectiveness of PBB's risk appetite framework.

Risk Appetite Statement of PBB

Risk appetite is the amount of risk PBB is willing to take in pursuit of its strategic objectives, reflecting the Bank's capacity to sustain losses and continue to meet its obligations under normal as well as adverse circumstances. PBB's risk appetite statement is approved by the Board and forms the basis for establishing the risk parameters within which the businesses must operate, including risk management policies, and limits.

PBB recognizes that risk is an inherent part of its activities, and that banking is essentially a business of managing risks. PBB aims to achieve sustainable growth in profitability and shareholder value through an optimum balance of risk and return.

PBB shall take on risk prudently and manage exposures proactively for the purpose of sustainable growth, capital adequacy, and profitability. It shall be aligned with internationally accepted standards, practices, and regulations in the day to day conduct of risk and performance management.

The Board and Senior Management are committed to developing risk awareness across the Bank, promoting the highest standards of professional ethics and integrity, establishing a culture that emphasizes the importance of the risk process, sound internal control, and advocating the efficient use of capital.

The Bank sets risk limits to constrain risk-taking within its risk appetite, taking into account the interest of customers and shareholders, as well as capital and other regulatory requirements.

The Risk Oversight Committee shall oversee compliance to the established risk appetite, risk management policies, and limits.

PBB has an established Enterprise Risk Appetite statement in the form of a matrix that articulates the level of risk that it is willing to accept in pursuit of a certain level of return.

Risk Appetite Parameter	Risk Appetite Threshold
Earnings Volatility	Maximum deviation of annualized net income vs. target
Regulatory and Credit Standing	Minimum Supervisory Assessment Framework (SAFr) and external rating
Capital Adequacy	CET1 and Total Capital Adequacy Ratio Targets and Floor Ratios
Trading Risk	Acceptable Trading Book VaR
Balance Sheet Risk	Maximum percentage of Net Interest Income-at-risk and Capital-at-risk
Liquidity Risk	Maximum tolerable outflows; Liquidity Coverage, Minimum Liquidity, and Net Stable Funding ratios
Asset Quality	Maximum NPL ratio; Real Estate Loan Limit; REST CAR
Zero-tolerance risks	Zero incidences of specific risk events (e.g., Reputational risk events)
ML/TF Risk	Minimum prescribed ML/TF Risk Assessment System (MRAS) Rating (BSP)
AML Reports	AML reports submitted within timeframe

The Bank articulates its appetite for specific risk types.

RISK TYPE	DEFINITION	RISK APPETITE
Credit Risk	Risk of loss arising from a counterparty‘s failure to meet the terms of any contract with the bank or otherwise perform as agreed.	PBB shall only engage with counterparties that are foreseen to be able to meet the terms of the contract or perform as agreed. The Bank shall manage credit risk in its portfolio and activities to ensure that credit risk losses do not cause material damage to the Bank‘s liquidity and capital position.
Credit Concentration Risk	Risk of loss arising from overexposure to specific industries, borrower, Counterparty, or Bank.	PBB shall not be overexposed to specific industries, borrowers, counterparties, or Banks, where the risk of loss has not been considered and/or mitigated. The Bank shall manage credit concentration risk in its portfolio to ensure that credit risk losses do not cause material damage to the Bank‘s liquidity and capital position.
Market Risk	Risk of loss arising from movements in market prices.	PBB shall manage market risk in its portfolio and activities to ensure that losses arising from movements in market prices do not cause material damage to the Bank‘s liquidity and capital position.
Interest Rate Risk	Risk of loss arising from movements in interest rates.	PBB shall manage interest rate risk in its portfolio and activities to ensure that losses arising from movements in interest rates do not cause material damage to the Bank‘s liquidity and capital position.

RISK TYPE	DEFINITION	RISK APPETITE
Liquidity Risk	Risk of loss arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses.	PBB shall be able to meet its obligations when they come due, under normal as well as adverse circumstances, while ensuring compliance with regulatory requirements. The Bank shall manage its liquidity position under extreme but plausible liquidity stress scenarios without recourse to extraordinary central bank support.
Operational Risk	Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	PBB shall control operational risks to ensure that operational losses do not cause material damage to the Bank's liquidity and capital position, and reputation.
IT Risk	Risk of loss resulting from failure of computer hardware, software, devices, systems, applications, and networks.	PBB shall manage its computer hardware, software, devices, systems, applications, and networks to ensure that losses resulting from their failure do not cause material damage to the Bank's liquidity and capital position, and reputation.
Information Security Risk	Risk of loss resulting from information security / cyber security breaches.	PBB has zero tolerance for information security/cyber security breaches. The Bank shall protect its information assets to ensure that breaches do not cause material damage to the Bank's liquidity and capital position, and reputation.
Business Continuity Risk	Risk of loss resulting from the prospective inability to resume operations in the event of a disaster.	PBB shall be able to resume operations in the event of a disaster, in a timely manner.
Regulatory Risk	Risk of loss arising from probable mid-stream changes in the regulatory regime affecting current position and/or strategy.	PBB shall be prepared for any changes in regulations affecting its current position and/or strategy.
Compliance Risk	Risk of loss resulting from failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities.	PBB shall comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities. The Bank has no appetite for deliberately or knowingly incurring a breach of the letter or spirit of regulatory requirements.
Money Laundering/ Terrorist Financing (ML/TF) Risk	Risk of loss resulting from the involvement in money laundering and terrorist financing activities.	PBB has zero tolerance for any involvement in money laundering and terrorist financing activities. The Bank shall manage ML/TF risk to avoid any involvement in money laundering and terrorist financing activities.
Fraud Risk (Internal & External)	Risk of loss resulting from falling victim to activities involving internal and/or external fraud.	PBB shall manage fraud risk to ensure that losses resulting from activities involving internal and/or external fraud do not cause material damage to the Bank's liquidity and capital position, and reputation. The Bank has zero tolerance for any incident involving internal fraud, or any inappropriate conduct by an officer or a member of staff.

Risk Management

RISK TYPE	DEFINITION	RISK APPETITE
Legal Risk	Risk of loss resulting from uncertainty of legal proceedings that we are currently or expected to be involved in.	PBB shall manage legal risk to ensure that losses arising from legal proceedings do not cause material damage to the Bank's liquidity and capital position, and reputation.
Strategic Risk	Risk of loss arising from adverse business decisions or lack of responsiveness to industry changes.	PBB shall only pursue strategies whose foreseeable risks have been considered and/or mitigated. The Bank shall manage strategic risk to ensure that there is no material damage to the Bank's liquidity and capital position, and reputation.
Reputation Risk	Risk of loss arising from negative public opinion.	PBB has zero tolerance for knowingly engaging in any business activity where foreseeable reputational risk or damage has not been considered and/or mitigated. The Bank shall protect its reputation to ensure that there is no material damage to the Bank.

Market and Liquidity Risk Management Center: The Market and Liquidity Risk Management Center is responsible for the development and implementation of market and liquidity risk policies and measurement methodologies, including the management of interest rate risk (IRRBB), recommending and monitoring compliance to market and liquidity risk limits, and reporting the same to the Senior Management, the Asset & Liability Committee Management (ALCO), the Risk Oversight Committee (ROC), and the Board of Directors.

Trust Risk Center: The Trust Risk Center is responsible for the identification, measurement, control, and monitoring of trust-related risks. This includes the periodic review of risk policies, establishment of prudent limits, risk measurement methodologies and assumptions, and reporting the same to the Trust Committee and Risk Oversight Committee, for endorsement to the Board for approval.

The Information Technology and Operational Risk Management (ITORM) Center: The ITORM Center is responsible for implementing the IT and Operational Risk Management Framework across PBB. As part of the IT and ORM structure, Risk Coordinators are appointed and deputized by Group Heads to assist in the implementation of IT and ORM Tools in the business lines. The ITORM Center also manages the Risk Management Framework for the adoption, use and operation of Technology within the Bank, and is responsible for ensuring the Bank's capability to plan and respond to incidents and business disruptions to enable the continuity of key business operations at predefined acceptable levels.

Information Security Center: The ISC headed by designated Chief Information Security Officer (CISO) is responsible for implementing Information Security Framework of the bank through collaboration with various stakeholders to ensure that controls are implemented and complied with following the bank's Information Security Policy. The ISC is also tasked to provide the processes and methodologies designed to protect the bank's information assets from unauthorized access, use, misuse, disclosure, destruction, modification, or disruption to preserve the Confidentiality, Integrity and Availability of Information Assets.

Credit Risk Management Center: The Credit Risk Management Center is responsible for credit risk analytics and credit portfolio risk function. It handles independent credit review, credit stress testing, and the assessment of the overall portfolio quality of the bank, to enhance the credit review framework covering credit review procedures, policy formulation, and action plan monitoring. Credit Risk analytics and portfolio reviews are reported periodically to the ROC.

ANTI-MONEY LAUNDERING AND COMBATING TERRORISTS FINANCING (AML/CTF) RISK MANAGEMENT

PBB ensures that risks associated with money laundering and terrorists financing such as reputational, operational and compliance risks are identified, assessed, monitored, mitigated and controlled, to the end that the Bank shall not be used as a vehicle to legitimize proceeds of unlawful activity or to facilitate or finance terrorism. In accordance with R.A. 9160, as amended, the AMLC Revised Implementing Rules and Regulations, and BSP Circular 706, as amended by R. A. Nos. 9194, 10167 and 10365, and by BSP Circular Nos. 950 and 1022, PBB ensures that the four (4) areas of sound risk management practices are in place as follows:

1. **GOVERNANCE.** This refers to board oversight, senior management oversight, and operational management, detailed as follows:

   The Board Oversight. It shall be the ultimate responsibility of the Board of Directors to fully comply with the provisions of the BSP-issued AML/CFT rules and regulations, the AMLA, as amended, and its RIRR. It shall set tone of good governance and culture to ensure that ML/TF risks are effectively managed and this shall form part of the Enterprise Risk Management System. The Board shall formulate and adopt a money laundering and terrorist financing prevention program that identifies, assesses, monitor and control money laundering and terrorist financing-related risks.

   Senior Management Oversight. It shall oversee the day-to-day management of the Bank, ensure effective implementation of its AML/CFT policies as embodied in the Board-approved MTPP and alignment of activities with the strategic objectives, risk profile and corporate values set by the board. Senior management shall establish a management structure that promotes accountability and transparency and upholds checks and balances.

   Operational Management. It shall help the senior management with its day-to-day management of AML risks. Thus, the Bank has established three (3) lines of defense, as follows:

   a. The Branches and business units are the first line of defense against ML/TF. They own and manage the AML/CTF risk and are responsible for implementing corrective actions to address any policy and control gaps.

   b. The Compliance Management being the second line of defense, it shall be the primary task of the Anti-Money Laundering (AML) unit of the Bank to manage the implementation of the MTPP. To ensure the independence of the Compliance Center, it shall have a direct reporting line to the AML Committee of the Bank, to the Corporate Governance Committee and to the Board of Directors.

   c. The Internal Audit is the third line of defense which shall independently evaluate the risk management and controls. The internal audit function associated with money laundering and terrorist financing should be conducted by qualified personnel who are independent of the office being audited. It must have the support of the Board of Directors and Senior Management and have a direct reporting line to the Board or a Board Level Audit Committee.

2. **Money Laundering and Terrorism Financing Prevention Program (MTPP)**. The Bank shall adopt a comprehensive and risk-based MTPP geared towards the promotion of high ethical and professional standards and the prevention of the Bank being used, intentionally or unintentionally, for money laundering and terrorism financing. The MTPP shall include policies, controls and procedures to enable the covered persons to manage and mitigate the risks that have been identified in their risk assessment, including taking enhanced measures for those classified as posing higher risks. The MTPP shall be consistent with the AMLA, as amended, the TFPSA, their respective RIRR and the provisions set out in BSP-issued AML Rules and Regulations and designed according to the Bank's corporate structure and risk profile. It shall be in writing, approved by the Board of Directors and well disseminated to all officers and staff who, under the law and the Bank's compliance program, are obligated to implement the same. The Bank shall have a consolidated/single ML/TF risk management system for all its branches wherever they may be located, to ensure the coordination and implementation of policies and procedures on a group-wide basis.

3. **Monitoring and reporting tools.** The Bank shall adopt an AML/CFT monitoring system that is appropriate for its risk profile and business complexity and following these rules. The system should be capable of generating timely, accurate, and complete reports to lessen the likelihood of any reputational and compliance risks, and to regularly apprise the Board of Directors and senior management on AML/CFT compliance.

4. **Risk assessment.** Consistent with risk-based approach, covered persons are required to identify, understand and assess their ML/TF risks, arising from customers, countries or geographic areas of operations and customers, products, services, transactions or delivery channels. The assessment methodology shall be appropriate to the nature of operations and complexity of the business of the Bank.

Corporate Governance

A. Corporate Governance

The Board of Directors, management, staff, and shareholders of Philippine Business Bank believe that corporate governance is an indispensable component of what constitutes sound strategic business management and commit to the best practices contained in the board-approved Manual on Corporate Governance that institutionalize the principles of good corporate governance in the entire organization. The Bank's Manual on Corporate Governance was amended in June 2024 to reflect updated regulatory requirements.

PBB is committed to conforming to the highest standards of ethics and corporate governance and to complying with all governing laws, rules, and regulations and with established corporate policies and procedures, thereby maintaining excellence in all aspects of its operations.

The Bank, as a publicly listed institution, is being regulated and supervised by the Bangko Sentral ng Pilipinas and Securities and Exchange Commission. Hence, activities of the Bank are subject to the following relevant laws and regulations such as but not limited to: General Banking Law of 2000 (RA No.8791), Manual of Regulations for Banks, Revised Corporation Code of the Philippines, and Anti-Money Laundering Law, rules and regulations.

The Bank, as an Operator of Payment System (OPS), also adheres to the BSP Corporate Governance Framework for OPS. Further, the Bank also adheres to the Sustainability Finance Framework implemented by the SEC and the BSP. Details of which are shown separately in the Sustainability Report of the Bank.

As a testament to the Bank's success in its untiring quest to institutionalize good corporate governance practices, it was bestowed "1 Golden Arrow Award" recognition from the 2023 ASEAN Corporate Governance Scorecard (ACGS) on September 19, 2024.

B. Selection Process for the Board and Senior Management

Philippine Business Bank believes in selecting the right candidates based on two (2) criteria: (1) the qualifications of the candidates, and (2) the hiring standards of the Bank. There shall be no discrimination as to sex, religion, creed, race, or natural origin. It shall be the policy of the Bank to offer employment strictly based on the results of the Bank's qualification standards, personal interviews, and other standard requirements of the position being applied for. The Bank does not hire personnel simply based on referral by an employee, any influential party, or valued client.

The candidate shall be hired with the end view of a fruitful and mutually beneficial working relationship with Philippine Business Bank, and subject to performance and operational requirements. The Human Resources Group (HRG) shall be responsible for the efficient implementation of this function. All Group/Branch Heads shall coordinate and course their staffing requirements with HRG.

The recruitment process generally begins when HRG receives the duly approved Personnel Requisition Form (PRF). The following lead times shall be given to HRG to be able to source applicants:

a. For rank-and-file positions	–	10 to 15 banking days
b. For Junior Officer positions	–	30 to 45 banking days
c. For Senior Officer positions	–	45 to 90 banking days

The above lead times would include testing, interviewing with concerned officers, and endorsement of the approval for the hiring sheet up to the highest approving officer. For positions that are classified as difficult to fill below senior officer levels, the lead time for HRG to fill in the vacancy is between 45 to 60 banking days. However, the indicated HR response time is also dependent on the response of the recipient Centers/Units in assessing and deciding on the hiring of the candidate that has been endorsed by HRG.

Candidates are obtained from three (3) sources, namely:

1. Promotion of a qualified identified successor through the bank's Succession Planning
2. Internal Recruitment – where sourcing is done using job postings in the company bulletin board and via intranet e-mail announcements released by HRG.

Candidates may come from:

a. Within the Group/Region/Branch;
b. Another Group/Region/Branch; or
c. Contractual/project staff.

3. External Recruitment – where candidates are sourced from the outside through the use of various channels such as the Bank's website, ad placements in newspapers, walk-ins, campus recruitment, referrals from internal/external parties or placement agencies. This is resorted to when internal sourcing has been exhausted.

HRG shall endeavor to fill up vacancies as they occur, giving priority to qualified internal candidates (employees). External hiring shall be considered when none of the present employees are qualified or have applied for the vacancy.

The applicant's file shall be forwarded to the requisitioning unit prior to the interview schedule. The file should contain the following documents:

a. Duly accomplished Application Form
b. Applicant's resume
c. Interview Evaluation Sheet containing the evaluation and recommendation made by the interviewers.

Applicants for senior officer positions (AVP and up) should be interviewed by the following:

- Human Resources Group Head;
- The concerned Group Head as applicable;
- President & CEO for his direct reports;
- Vice-Chairman; and
- Chairman of the Board.

Note: The Vice Chairman may or may not interview candidates for selection. In cases where the Vice Chairman does not interview, the interview results of the President and CEO or Group Head (as applicable) and the Chairman will suffice.

The Corporate Governance Committee shall review and evaluate the qualifications of all officers hired as or promoted to the rank of Assistant Vice President and up. After the vetting of the Corporate Governance Committee, the same candidates are endorsed to the Board of Directors for approval. The same committee will also review and evaluate candidates nominated to the Board of Directors as well as those nominated to other positions requiring appointments by the Board of Directors. For sourcing of candidates for the Board, the Bank may request for referrals from its existing network, or consider recommendations from professional firms such as the Institute of Corporate Directors.

C. Board's Overall Responsibility

Major Responsibilities of the Bank's Board of Directors:

- Define the Bank's corporate culture and values
- Responsible for approving the Bank's objectives and strategies and in overseeing management's implementation thereof
- Responsible for the appointment/selection of key members of senior management and heads of control functions, and the approval of a sound remuneration and other incentives policy for personnel
- Responsible for approving and overseeing the implementation of the Bank's corporate governance framework and risk governance framework

D. Major role and contribution of the Chairman of the Board

The Chairman of the Board shall provide leadership and ensure effective functioning of the Board of Directors, including maintaining a relationship of trust with the members. He shall:

1. Ensure that the meeting agenda focuses on strategic matters, including discussion on risk appetites and key governance concerns;
2. Ensure a sound decision-making process;
3. Encourage and promote critical discussion;
4. Ensure that views can be expressed and discussed within the decision-making process;
5. Ensure that members of the Board of Directors receive accurate, timely, and relevant information;
6. Ensure the conduct of proper orientation for first-time directors and provide training opportunities for all directors; and
7. Ensure the conduct of performance evaluation of the board of directors at least once a year.

Role and Contribution of Executive, Non-Executive and Independent Directors

PBB's Executive Director has the responsibility of the day-to-day operations of the Bank, while Non-executive Directors are PBB's Director who is not part of the day-to-day management operations and include the independent directors. PBB's board is composed of eleven (11) members, the majority of whom are Non-Executive Directors (NED). Bank's NED promotes an independent oversight function over management through committees such as Audit, Risk Oversight, Corporate Governance, and Related Party Transactions.

E. Board Composition

The following are the names of the incumbent Directors of the Bank as of December 31, 2024:

Incumbent	Age	Nationality	Position with the Bank	Year of election	No. of shares	%
Alfredo M. Yao	81	Filipino	Chairman Emeritus	2010	295,641,381	36.11%
Jeffrey S. Yao	56	Filipino	Chairman	2019	8,304,538	1.01%
Rolando R. Avante	65	Filipino	Vice Chairman and President / CEO	2019	5,572,922	0.69%
Leticia M. Yao	71	Filipino	Director	2009	4,847,510	0.59%
Roberto A. Atendido	77	Filipino	Director	2012	18,750	0.00%
Honorio O. Reyes- Lao	80	Filipino	Director	2010	254,998	0.03%
Benjamin R. Sta. Catalina, Jr.	76	Filipino	Director	2012	56,359	0.01%
Narciso D.L. Eraña	71	Filipino	Independent Director	2018	100	0.00%
Atty. Roberto C. Uyquiengco	76	Filipino	Independent Director	2018	1,000	0.00%
Benel D. Lagua	68	Filipino	Independent Director	2021	5,100	0.00%
Asterio L. Favis, Jr.	72	Filipino	Independent Director	2021	100	0.00%
Diosdado M. Peralta	72	Filipino	Independent Director	2022	63,121	0.01%

F. Board Qualification

The Board is composed of at least five (5), but not more than (15), members who are elected by the stockholders, a majority of whom are non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances. The board of directors determines the appropriate number of its members to ensure that the number thereof is commensurate with the size and complexity of the Bank's operations. To the extent practicable, the members of the board of directors are selected from a broad pool of qualified candidates. Non-executive directors, including the independent directors, comprise the majority of the board of directors to promote the independent oversight of management by the board of directors. Currently, four (4) members of the board of directors are independent directors, which in turn makes the bank compliant with the minimum requirement that at least one-third (1/3) of the total membership of the board of directors are independent directors.

The following is a brief description of the business experience of each of the Directors of the Bank:

Alfredo M. Yao (Filipino, 81 years old)

Mr. Alfredo M. Yao is the Chairman Emeritus of PBB. He is concurrently the Chairman of Zest-O Corporation, Semexco Marketing Corp., Macay Holdings Inc., and Asiawide Refreshments Corp. He is the President of Solmac Marketing Inc., Harman Foods (Phil.) Inc., and Amchem Marketing, Inc. Mr. Yao has participated in the following seminars: Corporate Governance; AML and Risk Management, all conducted by the Pacific Management Forum and PBB; CISA for the Credit Bureau; SME Related Issues; and other CTB Related seminars. He has also attended several Philippine Chambers of Commerce & Industry (PCCI) Business Fora given by PCCI, the International Trade Organization, and the Department of Trade and Industry.

Jeffrey S. Yao (Filipino, 56 years old)

Mr. Jeffrey S. Yao was appointed as the Chairman of the Board in November 2019.

He is currently the Chief Executive Officer of Zest-O Corporation, Vice President of Macay Holdings Inc., Corporate Secretary of Mega Asia Bottling Corp, and the President of Bev-Pack Inc. He is also a Director at Zemar Development Inc., Onnea Holdings Inc., Mazy's Capital Inc., ARC Refreshments Corp., AMY Holdings Inc., Semexco Marketing Corp., Asiawide Refreshments Corp., and ARC Holdings Inc. Mr. Yao started his career in the food and beverage industry when he was appointed as Plant Manager at Harman Food Philippines from 1990 to 1995. He has attended the following training programs: Basics of Trust at the Trust Institute of the Philippines in 2002; Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002; Anti Money Laundering Act Seminar at the Bangko Sentral ng Pilipinas in 2014; Distinguished Corporate Governance Speaker Series on August 24, 2015; AMLA Seminar by BSP and PBB in 2016; IFRS 9 by Punongbayan and Araullo in 2017; Data Privacy Act in 2017; Best Practices Guide to Compliance with the Anti-Money laundering Law and its IRR in 2018; and Corporate Governance Seminar in November 2018.

Mr. Yao graduated from the Ateneo De Manila University with Bachelor of Science in Management Engineering degree. Committee(s): Executive Committee

Rolando R. Avante (Filipino, 65 years old)

Mr. Rolando R. Avante was appointed as Vice Chairman, President, and Chief Executive Officer in November 2019.

His banking career includes stints as Vice President for Local Currency Desk at City Trust Banking Corp. from 1988 to 1994; Senior Vice President & Treasurer at Urban Bank from 1994 to 1995; First Vice President for Domestic Fund Management at Philippine Commercial International Bank from 1995 to 1999; Executive Vice President & Treasurer at China Trust (Philippines) from 1999 to 2009; Executive Vice President & Treasurer at Sterling Bank of Asia from 2009 to 2011. He was elected President and Director at the Money Market Association of the Phil. (MART) in 1999. He was elected the same position at ACI Philippines in 2011.

His training includes Money Market at the Inter Forex Corp. in 1983; Treasury Management in Times of Crisis in 1984, Bourse Game in 1987 both conducted by FINEX; Rate Risk Game in 1989, Investment Banking Fundamental in 1990, Managing People in 1991 at the Citibank APBI; Capital Market Instruments in Asia in 1992, Asset & Liability Management in 1995 both conducted by Euro money; Asian Bond Fund II Workshop in 2004 at the Asian Bank; Securitization Law in 2006 at FINEX & SEC; ACI World Congress in 2011 at ACI Phil.; Economic Outlook 2012 in 2012 at the ANZ Private Bank Exclusive; Annual Global Markets Outlook in 2012 at Deutsche Bank; Entrepreneurs Forum in 2012 conducted by Business World; AMLA Seminar in 2012 at the Bangko Sentral ng Pilipinas; CEO Business Forum in 2012 at Punongbayan & Araullo; Cross-Border RMB Business in 2012 at Bank of China; Eco Forum in 2012 at Security Bank; Phil. Business Conference in 2012 at the Philippine Chamber of Commerce & Industry; Annual Investment Outlook 2013 in 2013 at ANZ Private Bank; Philippine Investment Summit 2013 in 2013 at the Investment Banking Group; IPO Annual Asia Pacific in 2013 at CIMB; Corporate Governance Seminar for Board of Directors on December 10, 2015; AMLA for Board of Directors and Senior Officers in 2016; SEC-PSE Corporate Governance Forum in 2016; IFRS 9 in 2017; Seminar on Data Privacy Act in 2017; Best Practices Guide to Compliance with the Anti-Money Laundering Law and Its IRR by Center for Global Best Practices in 2018; and Corporate Governance Seminar for Directors and Senior Officers in 2018.

Mr. Avante graduated from the De La Salle University with the degree of Bachelor of Science in Commerce major in Marketing Management and has taken MBA units from DLSU.

Committee(s): Anti-Money Laundering, Asset and Liability Management, Capital Planning, Credit, Executive, Management, Remedial and Special Assets Management, and Trust

Roberto A. Atendido (Filipino, 77 years old)

Mr. Roberto A. Atendido was appointed to the Board in 2006 and was last re-elected as Director on May 31, 2024.

He is a seasoned investment banker and a recognized expert in the field with over 40 years of investment banking and consulting experience in the Philippines and in the ASEAN region. Mr. Atendido started his career in consulting with the management services group of Sycip, Gorres & Velayo, the largest accounting and consulting group in the Philippines. He began his investment banking career in Bancom Development Corporation, the leading investment house in the Philippines during the late 60's and 70's. He was later posted as Vice President of Bancom International Ltd in HK from 1980 to 1982. He then moved to PCI Capital Asia, Ltd. (HK) as Vice President from 1982 to 1983. The PCI Group posted him in Indonesia as Managing Director of PT Duta Perkasa Chandra Inti Leasing, a joint venture between the PCI Group of the Philippines and Bank Duta and Gunung Agung Group of Indonesia, from 1983 to 1988. Mr. Atendido moved back to the Philippines in 1988 as President of Asian Oceanic Investment House, Inc., a fully owned subsidiary of the Asian Oceanic Group of HK. The company was later bought by the Insular Life Group and renamed Insular Investment & Trust Corporation. In 1996, Mr. Atendido together with several investors organized

Asian Alliance Holdings & Development Corporation (AAHDC) and later established Asian Alliance Investment Corp. (AAIC) as a wholly owned investment banking subsidiary. He is currently President and Director of AAHDC and Vice Chairman and Director of AAIC.

Currently, Mr. Atendido is a member of the Board of Directors of Paxys Inc., Paper Industries Corp. of the Philippines, Pharmarex, Inc., Macay Holdings Inc., and Gyant Food Corporation. He is also the Vice Chairman and Director of Sinag Energy Philippines, Inc. since 2008, and Chairman and President of Myka Advisory and Consulting Services Inc. since 2010. He has also held directorships in the Philippine Stock Exchange from 2005 to 2009, Securities Clearing Corporation from 2006 to 2010, Marcventures Holdings, Inc. from 2010 to 2013, Carac-An Development Corp. as Chairman from 2010 to 2013, and Beneficial Life Insurance Corp. from 2008 to 2014. Apart from his business activities, Mr. Atendido is also active in the Brotherhood of Christian Businessmen and Professionals, a nationwide Christian community where he served as Chairman from 2009 to 2011.

He has attended training in Corporate Governance & Risk Management for the Bank's Board of Directors at the Development Finance Institute in 2003; Basel 2 and Risk Management Course by Export & Industry Bank in 2007. In 2014, he attended the Anti-Money Laundering Act Seminar at the Bangko Sentral ng Pilipinas, Distinguished Corporate Governance Speaker Series in 2015. He also attended AMLA for Board of Directors and Senior Officers by PBB and the 3rd Annual SEC-PSE Corporate Governance Forum in 2016; IFRS 9 by Punongbayan and Araullo in 2017; and Guide to Compliance with the Anti-Money Laundering Law and its IRR by Center for Global Best Practices and Corporate Governance Seminary by ROAM Inc. in 2018.

Mr. Atendido is a graduate of the Asian Institute of Management with a Masters Degree in Business Management in 1973. He completed his Bachelor of Science in Management Engineering from the Ateneo de Manila University.

Committee(s): Corporate Governance and Trust

Benjamin R. Sta. Catalina, Jr. (Filipino, 76 years old)

Mr. Benjamin R. Sta. Catalina, Jr. was appointed Independent Director to the Board in 2012 and last re-elected as Director on May 31, 2024. He first assumed his independent directorship at PBB from 2003 to 2005.

During his early professional years, Mr. Sta. Catalina was the Senior Vice President of the Asset Based Finance Group of FNCB Finance Co. from 1980 to 1981. He later joined Citibank N.A. from 1981 to 1995 where he served as Asst. Vice President & Division Head for the Public Sector Division, then became the Vice President and Asst. Director of the Asia Pacific Training Center. He later handled the Middle East Africa Division Training Center as Vice President and Associate Director, and handled the World Corporation Group for Middle East Africa, Division Training Center as Regional Administrator. He was appointed as General Manager from 1988 to 1992 handling the Center for International Banking Studies. In 1993 to 1994, Mr. Sta. Catalina was appointed Vice President and Chief of Staff of Global Finance Marketing, then rose to Group Head where he handled the Pan Asian Corporate Team in 1994 to 1995.

In the academic sphere, he was the Executive Director of the Center for Banking and Financial Management of the Asian Institute of Management in 1996.

In addition to holding a number of executive positions, he attended training seminars such as the Makati CAD in 1974, Philippine Core Credit in 1976, Intermediate Credit Seminar in 1977, Exceptional Sales Performance in 1978, Bourse Game in 1979, Asset Based Finance Seminar in 1980, Electronic Banking Seminar in 1981, Selling Skills Train the Trainer Program in 1982, Advanced Lending Strategy in 1982, Technology for Senior Management in 1983 from the Asia Pacific Training Center. He attended Multinational Business Course in 1980 at Citibank New York, Face to Face Selling Skills in 1986 by the Boston Consulting Group. In 1987, he attended the MAC Approach Course and Alcar Valuation Seminar at MEAD Training Center in Greece. He attended the Corporate Finance II in 1988 at the Asia Pacific Banking Institute. At MEAD Training Center in London, he attended the Risk Management Seminar and the Risk Management III – Corporate Finance in 1991. From 1993 to 1995, Mr. Sta. Catalina attended the Strengthening Organizational Capabilities, Service Quality Management, Technology Solutions for the Business, Marketing Derivatives Ideas, Standards Workshop, and Marketing Financing Ideas to Issuers at Citibank Training Center.

He attended the Corporate Governance & Risk Management for Bank's Board of Directors by the Development Finance Institute in 2003, Anti Money Laundering Act Seminar in 2014, Distinguished Corporate Governance Speaker Series in 2015, Corporate Governance Forum in 2016, IFRS 9 by Punongbayan and Araullo and Data Privacy Act Seminary in 2017, and Guide to Compliance with the Anti-Money Laundering Law and its IRR by Center for Global Best Practices and Corporate Governance Seminar by ROAM Inc.
in 2018.

Mr. Sta. Catalina is a graduate of the Asian Institute of Management with a post graduate degree of Masters in Business Management. He finished his Bachelor of Science in Management Engineering from the Ateneo De Manila University.

Committee(s): Audit, Related Party Transactions, and Risk Oversight

Honorio O. Reyes- Lao (Filipino, 80 years old)

Mr. Honorio O. Reyes-Lao was appointed as a Director of the Bank in 2010 and was last re-elected as Director on May 31, 2024..

A seasoned banker, he has more than 40 years of experience in corporate and investment banking, branch banking, and credit management. Mr. Reyes-Lao started his banking career at China Banking Corporation in 1973 to 2004. He served as Senior Management Consultant from 2005 to 2006 at East West Banking Corporation. He was a consultant at Antel Group of Companies from 2007 to 2009 and was appointed President at Gold Venture Lease and Management Services, Inc. from 2008 to 2009. Currently, he is an independent director at the DMCI Holdings Corporation, DMCI Project Development Inc., Semirara Mining and Power Corporation, Sem-Calaca Power Corporation, and Southwest Luzon Power Generation Corporation and is the Chairman of Space 2 Place Inc. He is also a Member of the Society of Institute of Corporate Directors (ICD) Fellows since 2004.

His background and trainings include Overall Banking Operations by Philippine Institute of Banking in 1971 to 1972; Director Certification Program at the Institute of Corporate Directors (ICD) in 2004; Trust and Governance Rating Systems by BAIPHIL in 2013; AMLA Seminar by BSP and Corporate Governance Seminar by Ateneo de Manila University in 2014; Corporate Governance Forum by SEC in 2016; IFRS 9 by Punongbayan and Araullo in 2017; Data Privacy Act Seminar in 2017; Guide to Compliance with Anti-Money Laundering Law and its IRR by Center for Global Practices and Corporate Governance Seminar by ROAM Inc. in 2018; and ASEAN Corporate Governance Conferences and Awards 2016 and Distinguished Corporate Governance Speaker Series since 2015.

Mr. Lao holds a post-graduate degree, Masters in Business Management, from the Asian Institute of Management and graduated with a double degree in Bachelor of Science in Business Administration major in Economics and Bachelor of Science in Commerce major in Accountancy from the De La Salle University.

Committee(s): Audit, Executive, and Risk Oversight

Leticia M. Yao (Filipino, 71 years old)

Dra. Leticia M. Yao was appointed to the Board in 1998 and last re-elected as Director on May 31, 2024.

A well-respected figure in the healthcare industry, Dra. Yao was appointed at the United Doctors Medical Center (UDMC) and Providence Hospital Inc. as a Consultant at the Department of Medicine since 1991 and 2014. She is currently a Director at Mega Asia Bottling Corporation, Zest-O Corporation, Uni-Ipel Industries Inc., Harman Foods Phils Inc., and Solmac Marketing Inc.

She participated in training sessions for Corporate Governance & Risk Management for Banks' Board of Directors by Development Finance Institute in 2002 and further took the Risk Awareness Seminar by Pacific Management Forum in 2009. In 2014, she attended the AMLA Seminar by the Bangko Sentral ng Pilipinas and Corporate Governance Seminar by the Ateneo de Manila University. She also attended the Distinguished Corporate Governance Speaker Series and Corporate Governance Seminar for Directors and Senior Officers by ROAM Inc. in 2015; AMLA Seminar by BSP and PBB in 2016; Corporate Governance: Fraud Awareness by Center for Training and Development Inc. in 2016; IFRS 9 by Punongbayan and Araullo in 2017; Data Privacy Act Seminar in 2017; and Guide to Compliance with the Anti-Money Laundering Law and its IRR by Center for Global Best Practices and Corporate Governance Seminary by ROAM Inc. in 2018.

Dra. Yao graduated from the University of Sto. Tomas with a Bachelor of Science degree in Medical Technology then pursued her post graduate degree in Medicine from the same university.

Committee(s): IT Steering and Trust

Narciso DL. Eraña (Filipino, 70 years old)

Mr. Narciso DL. Eraña was appointed Independent Director to the Board in 2018 and last re-elected as Independent Director on May 31, 2024.

Mr. Eraña has an extensive career spanning over 30 years, about 23 of which were spent in the Philippine finance industry. This included about 16 years in various banks, and seven (7) years as President of a multinational brokering company. He also spent many years as an entrepreneur in the family business.

He started his career with Bank of America-Manila handling credit and trade finance for the mining industry, pharmaceuticals, and small medium scale businesses. He moved into the bank's Treasury Department and eventually became Bank of America's youngest Country Treasurer, handling the overall Treasury Trading and Management functions. This served as the foundation for the rest of his Finance career which focused on Treasury management in multinational and local institutions, from savings banks and unibanks.

His banking experience involved managing the banks' liquidity in all currencies, and FX and Government Securities trading as well as investments in Structured Products and derivatives.

His last position was President of ICAP Philippines for seven (7) years, a subsidiary of ICAP Plc., a London based FTSE company and the world's largest Interdealer broker, with average volumes in excess of USD 1 trillion daily.

Active in financial market associations, Mr. Eraña was a Director of the Money Market Association of the Philippines for four (4) years and a Director of the ACI Financial Markets Association for another four (4) years. Activities included the formulation of policies and procedures for the operation of the Banking as well as brokering industries. These activities entailed frequent interaction with associations and regulators, including the Bangko Sentral ng Pilipinas, Securities and Exchange Commission, and the Banker's Association of the Philippines. During this time, he was also a member of the Financial Executive Institute of the Philippines (FINEX).

Mr. Eraña is a graduate of Business Management at Schiller College in Heidelberg, Germany and obtained his MBA from the Thunderbird School of Global Management in Glendale, Arizona.

Committee(s): Corporate Governance, Related Party Transactions, Risk Oversight, and Trust

Asterio L. Favis, Jr. (Filipino, 72 years old)

Mr. Asterio L. Favis, Jr was appointed Independent Director to the Board in 2021 and last re-elected as Independent Director on May 31, 2024.

He has been in the finance industry for about thirty (30) years, particularly in treasury banking.

Presently, he is an Independent Director of Makati Finance Corporation, as a Consultant of Amalgamated Investment Bancorporation and the Ateneo-BAP Institute of Banking and a Director/Vice President of Aspirations International, Inc. (a Toby's Sports franchise). He started his treasury banking career with PCI Bank, first as Assistant Vice President and Head of Foreign Exchange, then as Vice President and Head of Domestic Money Market (from 1986 to 1989), and lastly as Vice President under the Office of the President (seconded to PCI Capital in charge of fixed income securities, from 1989 to 1990). From 1990 to 1999, he headed the Treasury Division of Asianbank Corporation then moved to AB Capital & Investment Corporation from 1999 to 2002, leading the Financial Markets Division as Senior Vice President. Later on, he headed the Treasury Division of Philippine National Bank as Executive Vice President, from 2002 to 2007. His last stint with the banking industry was with Sterling Bank of Asia as Executive Vice President & Head of Treasury Group from 2007 to 2009 and lastly as Executive Vice President under the Office of the President from 2009 to 2013 (including one-year as OIC of Consumer Lending Group).

He is presently a member of the Institute of Corporate Directors (ICD), past member of the Chamber of Thrift Banks (2007-2009), with Money Market Association of the Philippines (from being Secretary, Vice-President and lastly as President, 1988-2004), past President of the Foreign Exchange Association of the Philippines (1988-1989), past member of the Bankers Association of the Philippines – Open Market Committee (1991-1999) and as past Captain of the Ateneo NCCA High School Basketball Team (1970-1971).

Director Favis, Jr. is a true-blue eagle from elementary to college. He was Salutatorian in elementary, Salutatorian in High School (with awards in Math, Sciences and Latin) and cum laude in College, graduating with a degree of Bachelor of Science in Management Engineering.

Committee(s): Audit, Related Party Transaction, and Risk Oversight

Benel D. Lagua (Filipino, 68 years old)

Mr. Benel D. Lagua was appointed Independent Director to the Board in 2021 and last re-elected as Independent Director on May 31, 2024.

He is a seasoned professional in the banking and finance industry for the last thirty-two (32) years, having been with both government and private financial institutions. He was last connected with the Development Bank of the Philippines (DBP) from March 2013 until February 2020, where he assumed roles such as Executive Vice President and Chief Development Officer (2013-2017) and Executive Vice President and Head of Corporate Services Sector (2018-2020). While with DBP, he was seconded as a Director of the following: DBP Data Center Inc. (DCI) from June 2017 to August 2018, Small Business Corporation (SBC) from 2013 to 2020, and LGU Guarantee Corporation (LGUCC) from 2013 to 2020. He was also the concurrent CEO of the Industrial Guarantee Loan Fund which was being managed by the DBP for the national government until its full transition to Philippine Guarantee Corporation in 2019. Prior to this, he had an extensive career from various companies in the banking, finance and consumer industry, as well as being a Consultant of the Economic Research Group in Malacañang in 1982.

He is a graduate of Management Engineering at the Ateneo de Manila University (Dean's list). He also holds a Master in Business Management from the Asian Institute of Management, completed the course requirements for Doctor in Business Administration at the University of the Philippines, a Master in Public Administration from the Harvard University's John F. Kennedy School of Government, and further completing the course requirements for Doctor in Business Administration at the De la Salle University in Manila. He also took up the Career Executive Service Development Program XXI at the Development Academy of the Philippines. As an expert in the field of management and finance, Director Lagua teaches part-time at the Ateneo de

Manila University and the De La Salle University in Manila.

Mr. Lagua is also affiliated with the Philippine Institute of Pure and Applied Chemistry (PIPAC) as a member of its Board of Directors. He is presently an Independent Director of Bangko ng Kabuhayan Inc. (A Rural Bank) (formerly Rodriguez Rural Bank, Inc.) and a known columnist for The Manila Times, Manila Bulletin, and Business World. He is a Fellow of the Institute of Corporate Directors (ICD).

Committee(s): Audit, Corporate Governance, and Risk Oversight

Diosdado M. Peralta (Filipino, 72 years old)

Atty. Diosdado M. Peralta served as the 26th Chief Justice of the Supreme Court of the Philippines from October 23, 2019, until his retirement on March 27, 2021. Additionally, he was appointed as an Independent Director on the PBB Board in 2022 and was last re-elected to this position on May 31, 2024.

Mr. Peralta started his career in government service in 1987 when he was appointed Third Assistant Fiscal of Laoag City. In 1988, he was assigned to the Prosecutor's Office in the City of Manila. He later became the assistant chief of the Investigation Division of the Office of the City Prosecutor in the first months of 1994.

In September 1994, Chief Justice Peralta was appointed as Presiding Judge of Branch 95 of the Regional Trial Court (RTC) of Quezon City, which was designated as a Special Criminal Court on Heinous Crimes and, later, Drugs Cases. He was promoted to the Sandiganbayan in 2002 and became its Presiding Justice in 2008. On January 13, 2009, he was named as the 162nd Associate Justice of the Supreme Court. He was the third Presiding Justice of the anti-graft court to be appointed to the High Court. On October 23, 2019, he was then appointed as the 26th Chief Justice of the Philippines.

He is an alumnus of the University of Santo Tomas Faculty of Civil Law where he was a working student and graduated in 1979. He obtained his undergraduate degree in Economics from the Colegio de San Juan de Letran in October 1974, and started working at the age of twenty (20) on November 2, 1974 as a production analyst of Cosmos Bottling Corporation (CBC). In January 1975, he became the operating supervisor of CBC's sister company, Wisdom Management, Inc., a management firm. He later became a general manager of Ace Agro Development Corp. and vice president of Cypress Agricultural Development Corp, both sister companies of CBC.

During his corporate stint and while taking up law from 1975 to 1979, he supervised the operation of three fish pens owned by the said three companies, and would join Bountee Fishery Corp.'s (a sister company of CBC) fishing vessels in the high seas to oversee its operations during summer time. In January 1980, while waiting for the results of the Bar exams, he returned to the mother company, CBC, as assistant personnel manager. When he passed the Bar that year, he was appointed as head of personnel department of CBC, while maintaining his positions as general manager of Ace Agro Development Corp. and vice president of Cypress Corp., and handling labor, criminal and civil cases of the company. At the same time, he was elected Barangay Councilman of Fairview, Quezon City, and served as barangay officer until the end of 1986. He only resigned from CBC when he accepted the invitation to become a prosecutor in Laoag City in January 1987.

Prior to becoming a member of the Supreme Court, he was a professor, lecturer, resource person, and Bar reviewer in Criminal Law, Criminal Procedure, Remedial Law, and Trial Techniques at the UST Faculty of Civil Law, the Ateneo de Manila University, San Beda College of Law, the University of the East, and the University of the Philippines Law Center, among others. He has been a member of the Corps of Professors under the Department of Criminal Law of the PhilJA and remains to be an active lecturer thereof on its Orientation Program for Newly appointed Judges, Pre-judicature Program and other training seminars.

Committee(s): Corporate Governance and Related Party Transaction

Roberto C. Uyquiengco (Filipino, 76 years old)

Atty. Roberto C. Uyquiengco was appointed to the Board as Independent Director in 2018 and last re-elected as Independent Director on May 31, 2024.

He has been in the banking and finance industry for almost 50 years. He started with Sycip Gorres Velayo & Co. (SGV) from 1970 to 1974 and later with North Negros Loggers Corporation until 1976. His stint in the banking industry started with Allied Banking Corporation from 1977 to 1980 and later with State Investment House (Bacolod Branch) from 1980 to 1984. He was last connected with China Banking Corporation as First Vice President and Region Head for North Luzon from 1984 until his retirement in 2011. He took up and passed the Trust Officers' Training Program (TOTP) given by the Philippine Trust Institute in 1991. Further, Atty. Uyquiengco attended some international and local conferences related to the banking and finance industry, among which were the Bankers' of America Institute Conference in November 2007, held in Las Vegas, Nevada, USA and the Asian Bankers Conference in 1996, which was held in Singapore.

Currently, he is affiliated with the following private institutions: (a) Emmanuel Multi-purpose Cooperative, Inc., in Cuenca, Batangas as Director since 2011; (b) Green Leaf Foreign Exchange Corporation as its Chairman and CEO since its incorporation in 2012; and (c) Manulife as a Financial Adviser since 2017.

Atty. Uyquiengco is also a known advocate of education, being a part-time faculty of the College of Business and Accountancy of National University since 2012 and as a part-time training consultant of the Chinabank Academy since 2013.

Atty. Uyquiengco is both a lawyer and a Certified Public Accountant by profession. He obtained his undergraduate degree from La Salle College, Bacolod City in 1970 with a degree in BS in Commerce Major in Accounting (graduating cum laude) and passed the CPA board in the same year. Thereafter, in 1975, he took up his Bachelor of Laws degree from the University of Negros Occidental-Recoletos, Bacolod City, graduating in 1980 and passing the bar examinations also in the same year. He also took up the advance Bank Management Program of the Asian Institute of Management from August to October 1993 and was awarded with the Highest Honor for superior performance among the forty (40) participants from various international banks.

Committee(s): Audit, Corporate Governance, and Risk Oversight

G. Board-Level Committees

To aid the Bank in complying with the principles of good governance, the Board constitutes the following Committees:

1. Audit Committee

The Audit Committee is empowered by the Board to oversee the financial reporting process, internal control and risk management systems, internal and external audit functions, and compliance with applicable laws and regulations.

The Audit Committee is composed of five (5) members of the Board of Directors, who are all non-executive directors, the majority of whom are independent directors, including the chairperson.

Among the significant duties and responsibilities of the Audit Committee are:

1. Overseeing the financial reporting process, practices and controls - ensures that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.
2. Overseeing senior management in establishing and maintaining an adequate, effective and efficient internal control framework - ensures that the systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations and safeguarding of assets.
3. Overseeing the internal audit and external audit functions which include being responsible for the appointment/ selection, remuneration/ fees and dismissal/ replacement of the internal auditor and /or external auditor. The Audit Committee ensures the rotation of the lead audit partner every five (5) years and other audit partners every seven (7) years, and considers whether there should be regular rotation of the audit firm itself. The Audit Committee also reviews and approves the annual audited financial statements prepared by the external auditor and determines if Management has ensured that financial reports comply with both the internal financial management standards and pertinent accounting standards, including regulatory requirements.
4. Overseeing the implementation of corrective actions - ensures that Senior Management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues by auditors and other control functions.
5. Investigating significant issues/concerns raised by having explicit authority to investigate any matter within its terms, having full access to and cooperation by Management, and having full discretion to invite any director or executive officer to attend its meetings.
6. Establishing and maintaining mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing, or other issues to persons or entities that have the power to take corrective action.

2. Corporate Governance/ Nomination Committee

The Corporate Governance Committee is tasked to assist the Board in the performance of its corporate governance responsibilities by reviewing and evaluating the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors. It also ensures compliance with and proper observance of corporate governance principles and practices as required by the regulatory bodies. It also enhances the corporate governance standards of the Bank by identifying, addressing, and working towards its ASEAN Corporate Governance scorecard (ACGS). The committee is composed of four (4) members of the Board of Directors who shall all be non-executive directors, the majority of whom are independent directors, including the chairman.

3. **Executive Committee**
   This Committee has been delegated by the Board of Directors with some of its powers and responsibilities as provided for in the by-laws, including but not limited to the supervision of other board committees and subject to the limitations and restrictions as may be imposed by the Board of Directors. The Executive Committee is composed of three (3) members from the Board of Directors.

4. **Related Party Transaction Committee**
   The Related Party Transaction (RPT) Committee evaluates on an on-going basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified. It is composed of three (3) members of the Board of Directors, two (2) of whom are independent directors including the chairman. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction.

5. **Risk Oversight Committee**
   The Risk Oversight Committee (ROC) is responsible for the development and oversight of the risk management framework for the bank and its trust unit. The committee is composed of seven (7) members of the Board of Directors, of which the majority shall be independent directors. The chairperson is a non-executive director and not the chairman of the board of directors, or any other board-level committee. The members of the ROC possess a range of expertise as well as adequate knowledge of the Bank's risk exposures to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur. It oversees the system of limits to discretionary authority that the board delegates to management, ensures that the system remains effective, that the limits are observed, and that immediate corrective actions are taken whenever limits are breached.

6. **Trust Committee**
   The Trust Committee is a special committee that reports directly to the Board of Directors and is primarily responsible for overseeing the fiduciary activities of the Bank. The Trust Committee is composed of five (5) members, including the president or any senior officer of the Bank and the trust officer.

COMMITTEE MEMBERS

Executive Committee		
Chairman	Jeffrey S. Yao	Chairman
Members	Rolando R. Avante	Vice-Chairman & President /CEO
	Honorio O. Reyes-Lao	Director
	Roberto C. Uyquiengco	Independent Director
	Narciso DL Eraña	Independent Director
	Asterio L. Favis, Jr.	Independent Director
	Benel D. Lagua	Independent Director
Audit Committee		
Chairman	Benel D. Lagua	Independent Director
Members	Roberto C. Uyquiengco	Independent Director
	Asterio L. Favis, Jr.	Independent Director
	Benjamin R. Sta. Catalina, Jr.	Director
	Honorio O. Reyes-Lao	Director
Risk Oversight Committee		
Chairman	Asterio L. Favis, Jr.	Independent Director
Members	Narciso DL Eraña	Independent Director
	Benel D. Lagua	Independent Director
	Roberto C. Uyquiengco	Independent Director
	Roberto A. Atendido	Director
	Benjamin R. Sta. Catalina, Jr.	Director
	Honorio O. Reyes-Lao	Director
Corporate Governance/ Nomination Committee		
Chairman	Roberto C. Uyquiengco	Independent Director
Members	Benel D. Lagua	Independent Director
	Narciso DL. Eraña	Independent Director
	Diosdado M. Peralta	Independent Director
	Roberto A. Atendido	Director
Related Party Transactions Committee		

Chairman	Narciso DL Eraña	Independent Director
Members	Asterio L. Favis, Jr.	Independent Director
	Benel D. Lagua	Independent Director
	Diosdado M. Peralta	Independent Director
	Benjamin R. Sta. Catalina, Jr.	Director
Trust Committee		
Chairman	Roberto A. Atendido	Director
Members	Rolando R. Avante	Vice-Chairman and President/CEO
	Narciso DL. Eraña	Independent Director
	Dr. Leticia M. Yao	Director
	Arturo I. Lipio	Trust Officer

H. Directors' Attendance

In 2024, the Board convened 12 times, with an overall attendance rate of 92%. The attendance of each director in Board and Committee meetings is as follows:

Name of Directors	Board Committee	
	Attended	%
Jeffrey S. Yao (Chairperson)	11	92%
Rolando R. Avante	12	100%
Dr. Leticia M. Yao	10	83%
Honorio O. Reyes-Lao	12	100%
Roberto A. Atendido	11	92%
Benjamin R. Sta. Catalina, Jr.	10	83%
Narciso DL. Eraña	10	83%
Roberto C. Uyquiengco	12	100%
Benel D. Lagua	12	100%
Asterio L. Favis, Jr.	12	100%
Diosdado M. Peralta	10	83%
Total number of meetings held during the year 2024	12	92%

Name of Directors	Executive Committee	
	Attended	%
Jeffrey S. Yao (Chairperson)	11	100%
Rolando R. Avante	11	100%
Honorio O. Reyes-Lao	11	100%
Benjamin R. Sta. Catalina, Jr.	9	82%
Roberto A. Atendido	10	91%
Narciso DL. Eraña[1]	4	80%
Roberto C. Uyquiengco[2]	5	100%
Asterio L. Favis, Jr.[3]	5	83%
Benel D. Lagua[4]	4	67%
Total number of meetings held during the year 2024	11	89%

1 Member up to June 2024
2 Member up to June 2024
3 Member from July 2024, attended 5 out of 6 meetings (partial year)
4 Member from July 2024, attended 4 out of 6 meetings (partial year)

Name of Directors	Corporate Governance	
	Attended	%
Roberto C. Uyquiengco (Chairperson)	12	100%
Roberto A. Atendido	10	83%
Narciso DL. Eraña	12	100%
Benel D. Lagua	12	100%
Diosdado M. Peralta	11	92%
Total number of meetings held during the year 2024	12	95%

Name of Directors	Related Party Transactions	
	Attended	%
Narciso DL. Eraña (Chairperson)[5]	12	100%
Benjamin R. Sta. Catalina, Jr.	12	100%
Benel D. Lagua[6]	6	100%
Asterio L. Favis, Jr.	11	92%
Diosdado M. Peralta	12	100%
Total number of meetings held during the year 2024	12	98%

Name of Directors	Risk Oversight Committee	
	Attended	%
Asterio L. Favis, Jr. (Chairperson)[7]	12	100%
Roberto C. Uyquiengco	11	92%
Benel D. Lagua	12	100%
Roberto A. Atendido	10	83%
Honorio O. Reyes-Lao	11	92%
Benjamin R. Sta. Catalina, Jr.	12	100%
Narciso DL. Eraña	11	92%
Total number of meetings held during the year 2024	12	94%

5 Assumed the role of RPT Committee Chair in July 2024

6 Member from July 2024, attended 6 out of 6 meetings (partial year)

7 Assumed the role of Risk Oversight Committee Chair in July 2024

Name of Directors	Audit Committee	
	Attended	%
Benel D. Lagua (Chairperson)	12	100%
Roberto C. Uyquiengco	11	92%
Asterio L. Favis, Jr.	12	100%
Honorio O. Reyes-Lao	12	100%
Benjamin R. Sta. Catalina, Jr.	12	100%
Total number of meetings held during the year 2024	12	98%

Name of Directors	Trust Committee	
	Attended	%
Roberto A. Atendido (Chairperson)	6	100%
Rolando R. Avante	5	83%
Narciso DL. Eraña	6	100%
Dr. Leticia M. Yao	6	100%
Total number of meetings held during the year 2024	6	96%

I. Changes In The Board Of Directors

PBB has been approved by the SEC in January 11, 2019, to have eleven (11) elected directors, per its Amended Articles of Incorporation dated May 25, 2018 subject to the requirement mentioned in the Bangko Sentral ng Pilipinas (BSP) Manual of Regulations for Banks (MORB) that at least one-third (1/3) but not less than two (2) members of the board of directors shall be independent directors.

During the Bank's annual stockholder's meeting on July 27, 2022 the stockholders approved the re-appointment of the Directors shown in the table in Section H. Notable additional Director was Former Chief Justice Diosdado M. Peralta who assumed position as an Independent Director last January 19, 2022 to serve the unexpired term of Former Director Danilo A. Alcoseba who passed away last 11 November 2021. Currently, the directors are composed of six (6) regular directors and five (5) independent directors in compliance with the various regulations and for good governance practice.

The said appointments and movements were duly reported to the BSP, the SEC and published on the Philippine Stocks Exchange (PSE).

J. **Executive Officers/ Senior Management**

The following are the Executive Officers of the Bank, and their respective age, citizenship and position as of December 31, 2024:

Rolando R. Avante (Filipino, 65 years old)
(Please refer to the Director's Qualification section for Mr. Avante's professional experience)

Joseph Edwin S. Cabalde (Filipino, 55 years old)

Mr. Joseph Edwin S. Cabalde is the PBB's Treasurer and Head of the Treasury Services Group with the rank of Executive Vice President. His work experiences include: Accounting Assistant of China Banking Corporation from 1991 to 1994; Treasury Officer of Urban Bank Inc. from 1994 to 1995; Manager and Chief Dealer of Bangkok Bank Manila from 1995 to 2000; Manager at Mondex Philippines Inc. from 2000 to 2001; Manager and Chief Dealer at Bank of Tokyo Mitsubishi from 2001 to 2005; Treasury Head of Oilink International from 2005 to 2007; and Assistant Vice President and Treasurer of EEI Corporation from 2007 to 2008. Mr. Cabalde attended the Corporate Good Governance and AML Seminars sponsored by PBB.

Mr. Cabalde graduated from the University of Sto. Tomas and holds a Bachelor of Science Major in Accountancy degree.

Committee(s): Asset and Liability Management, Capital Planning, and Management

Arlon B. Reyes (Filipino, 51 years old)

Mr. Reyes is the Chief Lending Officer and the Head of the Lending Segment at PBB. In this role, he is responsible for overseeing PBB's overall lending business and leading the business strategy to promote growth and deliver exceptional services to small and medium-sized businesses, as well as commercial and corporate clients, including those with international needs and connections.

Alongside other members of Senior Management, Mr. Reyes plays a key role in setting the overall strategic direction for PBB.

He brings over 25 years of professional experience from both international and local financial institutions. His expertise includes global capital financing, mergers and acquisitions, loan syndication, structured finance, derivatives, treasury products, trade finance, credit and lending, as well as traditional commercial banking services. Additionally, he is skilled in financial crime management and anti-money laundering, having completed intensive training and workshops in these areas while working in an international banking environment.

Mr. Reyes has previously served as a Global Relationship Banker for Global Banking & Markets at The Hongkong and Shanghai Banking Corporation Limited, holding the title of Senior Vice President. He was also the Head of the Large Corporate Segment within Rizal Commercial Banking Corporation's (RCBC) National Corporate Banking Group. His experience includes leading the China Desk and developing foreign branches, while also serving as Team Leader and Relationship Manager for the Conglomerates Division at Metropolitan Bank and Trust Co.

Beyond banking, Mr. Reyes contributed to the Philippine Stock Exchange's Business Development Group, where he played a pivotal role in the creation and establishment of the Small and Medium Enterprise (SME) Capital Market, also known as the SME Board.

He graduated from the University of the Philippines – Diliman in 1994 with a Bachelor of Science in Economics and earned his Master of Business Administration from the same university in 2001.

Committee(s): Asset and Liability Management, Capital Planning, Employee Discipline, and Management

Maria Lourdes G. Trinidad (Filipino, 57 years old)

Ms. Malou was appointed as Chief Risk Officer and Head of Enterprise Risk Management Group with the rank of Senior Vice President.

She has 30 years of banking experience, during which she has handled various functions including Credit Review, Treasury Trading, Liquidity and Reserve Management, Correspondent Banking, Corporate Planning, Investor Relations, and Special Projects under Strategic Planning. She began her banking career with RCBC Unibank and was seconded to RCBC Savings as Chief Risk Officer (CRO) from September 2007 until 2019, when the merger between the savings bank and Unibank occurred. Her most recent position was as Head of Special Initiatives within Unibank's Enterprise Risk Management Group (ERMG).

As the Chief Risk Officer (CRO), she collaborated with the bank's Risk Oversight Committee to establish RCBC Savings' risk and control infrastructure. She led the efforts to identify and measure the risks inherent in the bank's portfolio, ensuring that provisioning remained at a minimal level. This was achieved through proactive initiatives such as portfolio credit reviews and credit scoring to enhance the quality of the bank's portfolio.

She defined and communicated the bank's risk philosophy and policies, assisting business and operating units in understanding, measuring, and mitigating risk factors. Additionally, she implemented the bank's Risk Management Framework and Manual, Treasury Manual, Liquidity Contingency Funding Plan, and various risk operating policies and procedures.

Furthermore, she developed both the strategic and operational frameworks for Business Continuity, which included the enterprise Business Continuity Plan, Business Impact Analysis, Crisis Communication Plan, Pandemic Plan, Call Tree Testing, Tabletop Exercises, and Disaster Recovery Plan testing.

Ms. Trinidad earned a Bachelor of Science degree in Mathematics from the University of the Philippines – Diliman in 1988. She also completed academic credits toward a Master of Science degree in Mathematics from the same institution.

Committee(s): Capital Planning and Management

Atty. Sergio M. Ceniza (Filipino, 58 years old)

Atty. Serge has joined PBB as the Chief Compliance Officer, holding the rank of First Vice President. He brings over 30 years of experience in the financial industry, having worked with insurance companies and banks. His career began at Great Pacific Life Assurance Corporation, followed by Philam Plans Inc. He later joined BDO Universal Bank, where he was seconded to BDO Leasing & Finance Inc. as the Head of Legal, Compliance, and Anti-Money Laundering (AML) Compliance, holding the rank of Assistant Vice President.

Atty. Serge joined First Metro Investment Corporation in September 2012 as the Deputy Chief Compliance Officer, holding the rank of Assistant Vice President. In June 2016, he was promoted to Vice President and designated as the Chief Compliance Officer, Chief AML Officer, and Data Privacy Officer. In his role as Chief Compliance Officer, he oversaw the formulation and implementation of policies and procedures for the company's Compliance Program, including those related to subsidiary units. He regularly reported to the Board through the Corporate Governance Committee on the organization's regulatory compliance status and that of its subsidiaries. Additionally, he monitored and coordinated compliance activities across other companies within the group.

Atty. Sergio M. Ceniza is the incumbent Dean of Manila Law College. He is also a member of the law faculty of De La Salle University-College of Law, University of the East- College of Law, and the Far Eastern University-Institute of Law. He is a regular pre-bar reviewer in the field of Mercantile/Commercial Law in various law schools and bar review centers. As a Mandatory Continuing Legal Education (MCLE) lecturer, he delivers MCLE lectures for various Supreme Court-accredited MCLE providers, a regular lecturer in the MCLE of Chan Robles, Access MCLE and UP Institute of Judicial Administration, and IBP chapters. He is an active member of Association of Bank Compliance Officers (ABCOM) and is well-regarded in the industry.

Atty. Ceniza holds a Bachelor's degree in Political Science and a Bachelor of Laws degree from Far Eastern University. He was honored with the Golden Tamaraw Award, given by the FEU-Law Alumni Association in December 2019. Currently, he is a candidate for the Master of Laws program at San Beda College-Graduate School of Law.

Committee(s): Anti-Money Laundering, Employee Discipline, and Management

Carlos Oliver L. Leytte (Filipino, 48 years old)

Mr. Carlos Oliver L. Leytte was appointed as the Retail Banking Segment Head in 2023 holding the rank of Senior Vice President.

With over 25 years of diverse and successful experience in the financial services sector, Mr. Carlos Oliver L. Leytte has demonstrated expertise in retail banking, investment banking, and private banking. His consistent track record includes effectively leading substantial teams to achieve exceptional results.

He began his banking career in 1999 at Chinabank as a senior trader and moved to Standard Chartered Bank in 2002, focusing on investment relations. In 2003, he joined BDO in the Business Development Department. By 2006, he was promoted to Head of the Trust Marketing Department at RCBC. In 2007, he transitioned to private banking at Export Bank as the Group Head. In 2010, Carlos moved to PNB, where he held several positions, including Branch Head with AVP rank, Area Head/SAVP, Region Head/FVP, and ultimately became the Deputy Head of the International Banking and Remittance Group with an FVP rank in 2023.

Mr. Leytte obtained his degree in Business Management and Entrepreneurship from San Beda University in 1998. He later pursued a Master's in Business Administration at the Ateneo Graduate School of Business and completed the Management Development Program at the Asian Institute of Management in 2022-2023.

Committee(s): Anti-Money Laundering, Asset and Liability Management, Bid, Capital Planning, Credit, IT Steering, Management, Related Party Transaction, and Employee Discipline

Liza Jane T. Yao (Filipino, 54 years old)

Ms. Liza Jane Yao is the Bank's General Services Head with a rank of Senior Vice President.

She has attended various trainings/seminars which include: Seminar on Data Privacy Act, International Financing Reporting Standards 9 (IFRS 9), Corporate Governance Seminar, AMLA Seminar for Board of Directors and Senior Officers, Corporate Governance Seminar for Directors and Senior Officers, Credit Analysis and Writing Seminar, Thinking Strategically in Business Game Theory for Managers, Market Reading Seminar, Risk Awareness Seminar, Basic Financial Math Seminar, Loans Packaging and Processing Seminar, and Diploma Program in Banking.

Ms. Yao finished her Bachelor of Science in Accountancy degree at De La Salle University.

Committee(s): Asset and Liability Management, Bid, Credit, and Management

Rodel P. Geneblazo (Filipino, 53 years old)

Mr. Rodel P. Geneblazo is the First Vice President and Consumer Banking Group Head of PBB. He was appointed to this position in January 2018.

A seasoned banker, he has more than 25 years of experience in consumer finance and credit cycle management. He started his banking career at PCI Bank from 1996 to 2000 as a Management Development Program Trainee and rose to Head the Consumer Finance Unit in General Santos City. He joined Chinatrust Bank from 2000 to 2008 and held the positions of Head of Mortgage Loans, Head of Product Development, and Head of Credit Policy & MIS. He went to East West Bank in 2008 to 2010 as Head of Credit Services.

In 2010, Mr. Geneblazo joined Sterling Bank of Asia as Head of Credit Services until 2012. He then became the Managing Director of Knowledge Transfer Financial Consulting Services, where he provided training, seminars, and consultancy works in the area of consumer and microfinance loans, credit cycle management, Collections, MIS & Analytics, product development and management, both for the private and public institutions from 2012 to 2014. He went back to the banking industry in 2014 and joined Philippine Veterans Bank as Head of MIS & Analytics, and later, as its Risk Officer.

He joined Philippine Business Bank in 2015 initially as a Consultant and later became the Head of PBB's Acquired Banks. He was appointed as President of Insular Savers Bank, Inc. (A Rural Bank), a rural bank that was acquired by PBB in 2015. He moved back to PBB in the beginning of 2018 and now serves as the Bank's Consumer Banking Group Head.

Mr. Geneblazo is a graduate of the Polytechnic University of the Philippines with a degree in Bachelor of Science in Mechanical Engineering in 1992 where he was also a scholar of the Hasegawa Universal Lab Corporation. He took his Masters in Business Administration degree in 1996 from the University of the Philippines and was a National Economic and Development Authority (NEDA) scholar.

Committee(s): Asset and Liability Management, Capital Planning, and Management

Arturo I. Lipio, Jr. (Filipino, 58 years old)

Mr. Arturo I. Lipio Jr. joined PBB as First Vice President and the Head of Trust and Investment Center in July 2023.

Art brings his thirty years of banking experience to PBB. Prior to joining PBB, he worked with United Coconut Planters Bank as an Assistant Vice President under Investment Banking in 2000, then became the Head of Treasury in 2006. In 2013, Art was promoted to the First Vice President position and the Head of Debt, and later on became the Chief of Trust in 2019 where he headed a team of account officers that provided coverage to the group's institutional and personal trust accounts, including employee benefit plans, corporate and personal investment management accounts, personal management trusts, pre-need trusts UITFs, and other fiduciary arrangements.

He started his career with Pacific Farms, Inc. as a Technical Assistant in 1988; Metrobank Venture Capital as an Operations Assistant in 1992; BA Finance Corporation under Corporate Planning in 1993; All Asia Capital & Trust as an Investment Manager in 1994; then Citibank NA as an Asst. Vice President /Investment Banker in 1996; and worked as a financial consultant of Wellex Group in 1999.

Art graduated from the University of the Philippines - Diliman with a degree in Bachelor of Science in Fisheries major in Business Management. He took his Master of Business Administration degree from the same university and a place on the dean's list. He is a Certified Trust Professional, Certified Fixed Income Salesman, and Certified Treasury Professional.

Committee(s): Management and Trust

Joseph Jeeben R. Segui (Filipino, 36 years old)

Mr. Joseph Jeeben R. Segui joined PBB in 2024 as Head of Corporate Planning, Corporate Finance, and the Bank's Investor Relations Officer with the rank of First Vice President.

He is an investment professional with over ten years of investment banking, mergers and acquisitions, and business development experience.

Mr. Segui previously worked as the first vice president for corporate finance in Premiere Horizon Alliance Corporation, a PSE-listed investment holding company, from 2015 to 2024. During that time, he was concurrently the Director for Financial Advisory of Grow Capital Partners Inc., a boutique financial and investment advisory firm. He also concurrently was a financial consultant to a firm that is involved in infrastructure and real estate development and acted as a financial adviser to several real estate companies, infrastructure projects and a food manufacturing company.

From 2012 to 2014, he was a deal manager at Asian Alliance Investment Corporation, a licensed investment house. Before entering the investments, finance, and business development track, he was in management consulting, working at Mitchell Madison Group, a US-headquartered management consulting firm from 2009 to 2011.

Mr. Segui holds a Bachelor of Science degree in Mathematics from the University of the Philippines – Diliman where he graduated Summa Cum Laude and valedictorian of class 2009.

Committee(s): IT Steering, Management, Asset Management and Liability

Miami V. Torres (Filipino, 62 years old)

Ms. Miami V. Torres is the Head of the Credit Management Group and holds the rank of First Vice President.

She has over 35 years of banking experience, which started at United Coconut Planters Bank where she worked through all areas of branch operations from staff position, Branch Operations Officer, Branch Marketing Officer to Branch Head. Ms. Torres joined PBB in June 2002 as a Branch Head and was later tasked to create and set up the Remedial and Special Assets Management Group. In 2010, she was assigned to head the Credit Services Group where she introduced significant changes in the credit processes. In 2016, her area of responsibility was expanded to include seven (7) different divisions, namely: Credit Services, Credit Underwriting, Portfolio Management, Credit Administration, Remedial & Special Assets Management, Credit Policy & Technical Support, and the Insurance Desk. In her almost 18-year stay with the Bank, she had consistently introduced quite several very relevant changes and innovations, the benefits of which ran across the entire Bank.

She is a double-degree holder – AB Behavioral Science and BSC Accounting from the University of Santo Tomas and is a Certified Public Accountant.

Committee(s): Credit, Management, and Remedial and Special Assets Management

Benley B. Uy (Filipino, 44 years old)

Mr. Benley B. Uy joined PBB in September 2024 as Head of Information Technology Group with the rank of First Vice President.

He develops and drives transformation efforts in modernizing the technology landscape through innovation, streamlining processes, and instituting a data-driven customer-centric culture across the bank.

With more than two decades of IT experience, he was the IT Director of Golden ABC, Inc. from 2023 to 2024 where he led IT transformation and IT Governance initiatives of the company. Prior to this, he was Head of IT at Motortrade Nationwide Corporation from 2018 to 2023 where he spearheaded the execution of IT strategies where various business goals were enabled through implementation of key IT projects using best practices and cloud technology.

From 2014 to 2017, Mr. Uy was the Implementation and Account Manager at H2 Software Consulting Services Inc., where he established relationships and managed regular service reviews in attaining SLA and the highest service standard for IT operations covering various banks such as PNB Savings Bank, Maybank Philippines, and EastWest Bank. Before his stint in consulting services, he held various IT lead roles in the financial services industry, including East West Bank Corp as Assistant Vice President and Head, System Development Division from 2011 to 2014; JP Morgan Corporation as Assistant Vice President and Head, UDT Application Support Team from June 2011 to December 2011; Bank of Commerce as Senior Manager, Head of Application Development and Maintenance Division and main support officer of the Treasury Sector from 2005 to 2011.

He started his career as a software developer assigned to Standard Chartered Bank from 2001 to 2003, then transferred to Asian Terminals, Inc. from 2003 to 2005, where he worked as one of the team leaders in the IT Department.

He attained a certification on the Leadership and Management Development Program (LMDP) from the De La Salle – Graduate School of Business in July 2006 and a certification on the CIO Leadership Program (CIOLP) from the Asian Institute of Management in May 2022. Mr. Uy holds a Bachelor of Science in Computer and Information with specialization in System Software Engineering from the Far Eastern University – Institute of Technology.

Committee(s): IT Steering and Management

Marily M. Cabuco (Filipino, 57 years old)

Ms. Marily Cabuco is PBB's Head of Internal Audit Center. She is responsible for the Bank's controls, and managing various internal audit areas, including branches, centralized operations, and finance and corporate functions.

She brings with her over 30 years of experience in audit. Ms. Cabuco was previously connected with Toyota Financial Services Philippines Corporation (TFSPH) as Chief Audit Executive with the rank of Vice President since June 2015. Prior to TFSPH, she was with Metrobank for 17 years (August 1998 – May 2015) where she handled head office, branch and subsidiaries & associates audit as Division Head.

Before her stint with MBTC, she was with Security Bank & Trust Co. for 10 years as Department Head of Branch Lending Center, Department Head / Audit Officer of Head Office and Branch and as Branch Cashier. She also had a short stint with Sycip, Gorres & Velayo (SGV) as Staff Auditor.

She is a Certified Public Accountant (1988), Certified Internal Auditor (2008), Certified Financial Services Auditor (2009). She also passed the Civil Service Eligibility (1988).

Ms. Cabuco earned her Bachelor's degree in Accounting from Far Eastern University and graduated with honors - Magna Cum Laude. She obtained MBA units from the De La Salle Graduate School of Business and Economics.

Committees: Bid, Employee Discipline, and Management

Atty. Roberto S. Santos (Filipino, 75 years old)

Atty. Roberto S. Santos is the Corporate Secretary and Head of the Legal Services Group and holds the position of Vice President.

In his over 35 years of experience in banking and finance, he was a Manager at Traders Royal Bank since 1980, held various executive positions with Security Bank from 1982 to 1999, General Manager of Security Finance Corporation from 1997 to 2001, and was the Head of the Legal Department of Metrobank Card Corporation from 2002 to 2004. Atty. Santos later joined PBB as Assistant Vice-President in 2008. He attended various seminars on Anti-Money Laundering, Corporate Governance, updates on relevant tax laws, corporate rehabilitation, PSE and SEC regulations, Letters of Credit transactions, credit and collections, and other pertinent banking laws and regulations.

Atty. Santos received his law degree from the University of the East and is a graduate of Bachelor of Arts from the same university.

Committee(s): Anti-Money Laundering, Management, and Remedial and Special Assets Management

Nancy L. Soriano (Filipino, 46 years old)

Ms. Nancy L. Soriano was appointed Head of the Human Resources Group with the rank of Senior Assistant Vice President in November 2023 and promoted to Vice President after one year. She joined PBB in 2008 as a branch head and achieved the Branch of the Year Award in 2011. She was promoted to Service Quality Center Head in 2014 under the Human Resources Group.

Before joining PBB, Nancy was a Relationship Manager at Winbank, Inc. in 2008. She started her career at Merchants Savings and Loan Association, Inc. as a branch personnel in 2004, where she handled the operations of the branch and was promoted to the branch head position.

Moving to the Human Resources Group, she handled the training and development, and the consumer protection, where she attended to the complaints of both internal and external clients of the Bank. She was appointed OIC upon the retirement of HRG Head in May 2023, then assumed the head position in November.

She graduated from the Philippine Normal University with a degree in Bachelor of Science in Psychology major in Guidance and Counseling in 2003.

Committee(s): Employee Discipline and Management

Judith C. Songlingco (Filipino, 52 years old)

Ms. Judith Songlingco is PBB's Head of Corporate Communications and Corporate Affairs, acting as the link of the company to the external stakeholders. She has worked across sectors in communication, including advertising, corporate communications, marketing communications, public relations, media, brand marketing, sponsorships, events, and business development. With over 25 years of a wealth of experience and a creative mind, she puts her imprint on the Bank's communications and events. She joined PBB in December 2011 and holds a Senior Asst. Vice President position.

Ms. Songlingco began her career with Far East Bank & Trust Co. in December 1992 as a credit analyst under the Retail Banking Group before moving to the Branch Banking Group as a marketing trader. She later pursued her career in the academe, where she taught sophomore, junior, and senior college students Marketing Management, Product Development, and Advertising & Promotions subjects at the De La Salle University – Dasmarinas, where she was also appointed the Junior Marketing Association (JMA) coordinator of the university. In 1999, she shifted back to the banking industry as a Product Development Officer at Maybank Phil. Inc. under the Consumer Banking Division, developing the deposit and loan products, promotional campaigns, and was tasked to handle the Customer Service

Department and the Consumer Sales Department as a lecturer and speaker. She joined East West Bank in 2004 as the Head of Marketing Department, where she handled product development, had the opportunity to launch promotional campaigns, present events, and implement advertising strategies. In 2008, she moved to Robinsons Bank as the Marketing Support Services Group Head. Ms. Songlingco managed communications for the bank, including public relations, speech writing, advertising, and promotions. She also handled corporate events and new product development, and enhancement.

Prior to joining PBB, she was the Marketing Head of the University Physicians Medical Center - a private multispecialty outpatient diagnostic and surgical center situated within the University of the Philippines Manila – Philippine General Hospital (UPM-PGH). She has created and implemented various PR campaigns, planned events with high-level government officials and directed media logistics for a national conference. She also headed the Customer Service Department of UPMC and handled media relations.

Ms. Songlingco is an active Bank Marketing Association of the Philippines (BMAP) member. This is her sixth term as BMAP Officer, where she was elected secretary of the association. She was Director for Programs in 2023 and 2022. She was elected Auditor in 2021 and 2020, Director of Membership in 2019 and Director for Programs and Ways and Means in 2018.

She obtained her Bachelor of Science in Commerce major in Marketing Management degree from St. Scholastica's College and holds a Master's Degree in Business Administration - Dean's List Inclusion.

Committee(s): Management

Vanessa A. Chua (Filipino, 40 years old)

Ms. Vanessa A. Chua was appointed Officer-in-Charge (OIC) as Head of the Corporate Banking Group (Makati and Caloocan desks) in 2024, holding the rank of Assistant Vice President.

She has extensive experience handling large corporate banking transactions, project loans, developmental loans, and loan syndication transactions. She started her career in banking in 2006 as a New Accounts Sales Representative at Allied Banking Corp., and was promoted to Marketing Assistant in 2009.

In 2013, Ms. Chua began her career at PBB as a Relationship Manager with the level of Junior Assistant Manager. She received two promotions in 2017: first to Senior Assistant Manager in January, and then to Manager in October. In 2020, she was promoted to Senior Manager, and in 2022, she advanced to Assistant Vice President.

Ms. Chua earned a Bachelor of Science in Commerce, major in Financial Managerial Accounting, from San Sebastian College – Recoletos in Manila.

Committee(s): Asset and Liability Management and Management

Larry F. Escarilla (Filipino, 59 years old)

Mr. Larry F. Escarilla was appointed Officer-in-Charge (OIC) as Head of the Branch Operations and Control Group in 2024, holding the rank of Senior Manager.

He is a seasoned professional with over 38 years of experience, specializing in bank operations. He is adept at optimizing branch operational efficiency, ensuring compliance, and leading high-performing teams to achieve business success.

Mr. Escarilla began his banking career in 1998 when he joined PBB as a Customer Service Associate and Teller. He then became the Branch Service Head at the Main Office Branch of PBB before being promoted to Branch Operations Control Center (BOCC) Unit Head. In this role, he led the Migration Team during the merger of Kabalikat Rural Bank, Rural Bank of Kawit, and Bataan Savings and Loan Bank. He later served as Area Operations Head and Team Leader during PBB's acquisition of a new core banking system.

Before his tenure at PBB, Mr. Escarilla worked as a Sales and Accounting Officer at Tehillah Plastic Manufacturing from 1997 to 1998. He held his first job for nine years as a Production Supervisor at Manila Bay Toncion, Inc.

Mr. Escarilla graduated with a degree in Accounting from the Philippine School of Business Administration.

Committee(s): Asset Management and Liability, Corporate Governance, and Audit Com

K. PERFORMANCE ASSESSMENT PROGRAM

To ensure that there is consistent application of the principles of good corporate governance as detailed in the Manual of Corporate Governance approved by the Board of Directors, PBB adopted self and peer evaluation methodology to evaluate and measure the performance of its Board of Directors as a body, its board committees, the individual directors and senior management. The evaluation is conducted annually, and the result is submitted to the Compliance Office for consolidation and reporting to the Corporate Governance Committee at least thirty (30) days before the yearly Stockholders' Meeting.

The Bank's structured evaluation system assesses the effectiveness of its Board of Directors and top management. The performance assessment framework was revised in May 2024 to better capture governance effectiveness. Each director participates in an annual self-assessment and peer evaluation, rating their performance based on a scale of 1 to 5 across several categories:

- The effectiveness of the Board as a whole
- Their individual contributions as directors
- The performance of Board-level committees
- Their engagement within specific committees

Rating	Description
One (1) - lowest	Leading practice or principle is adopted in the Manual but compliance has not yet been made.
Two (2) to Three (3)	Leading practice or principle is adopted in the Manual and compliance has been made but with major deviation(s) or incompleteness.
Four (4)	Leading practice or principle is adopted in the Manual and compliance has been made but with minor deviation(s) or incompleteness.
Five (5) - highest	Leading practice or principle is adopted in the Manual and full compliance with the same has been made

The Annual Performance Assessment results are consolidated, tallied, and presented to the Corporate Governance Committee, which subsequently reports the results to the Board of Directors. To further enhance the objectivity of this assessment, the Bank is set to engage an independent external evaluator to conduct a performance review of the Board, ensuring greater transparency and accountability.

L. ORIENTATION AND EDUCATION PROGRAM

Directors undergo annual corporate governance training, equipping them with the latest industry best practices and regulatory updates. On April 12, 2024, training was conducted by the Good Governance Advocates and Practitioners of the Philippines (GGAPP).

The training plays a crucial role in developing a capable Board of Directors and Senior Management team. They learn to craft a robust strategy that safeguards stakeholder interests and ensures profitable business operations.

In line with our commitment to sustainability, PBB also arranges seminars on sustainable finance frameworks. These sessions equip the leadership team with the tools and knowledge needed to spearhead initiatives that produce positive environmental and social impacts. By emphasizing sustainability principles in our core business practices, we promote responsible financial management and contribute to societal progress.

PBB is dedicated to advancing corporate governance through innovation, sustainability, and technology. The Bank firmly believes that investing in the development of our people is vital to enhance corporate governance. Recognizing that attracting and retaining top talent is key to our long-term success, we have intensified our efforts to provide continuous training and development opportunities for our directors, officers, and employees. This ensures they possess the necessary skills and knowledge to uphold the highest standards of corporate governance.

M. RETIREMENT/RETENTION AND SUCCESSION POLICY

1. Retirement of Senior Officers of the Bank is covered by the following Retirement Plan:

Retirement Age	Entitlement
Normal Retirement	
60 years of age	100% of final monthly salary x no. of years of service
Early Retirement	
Retirement before age 60 but after attainment of at least 10 years of service	The officer/employee shall be entitled to and shall be paid an amount computed following the Normal Retirement Benefit formula
Late Retirement	
Retirement beyond the age of 60, but in no case beyond the age of 65 *Officer/ employee availment of Late Retirement is on a case-to-case basis, subject to Management's approval*	The officer/employee shall be entitled to and shall be paid an amount computed following the Normal Retirement Benefit formula
Permanent Total Disability Benefit	100% of the accrued retirement benefit as of the date of disability
Death Benefit	100% of the accrued retirement benefit
Separation Benefit	
Tenure	**% of Accrued Retirement Benefit Payable**
Below 10 years	0%
10 to less than 12 years	50%
12 to less than 14 years	60%
14 to less than 16 years	70%
16 to less than 18 years	80%
18 to less than 20 years	90%
20 years and above	100%

The Board of Directors of PBB adopted a retirement policy pursuant to the Securities and Exchange Commission's (SEC's) Code of Corporate Governance Guidelines for Publicly-listed Companies and the Bangko Sentral ng Piipinas (BSP) Circular 969 wherein the Bank set the age of seventy (70) years old as the retirement age for Directors, subject to extension to be determined by the Board. The determination of the Board comprises the fit and proper principle as enshrined in the aforesaid regulations of the SEC and BSP.

2. Succession Policy

a. OBJECTIVE:

The objectives are threefold:

i. To ensure unhampered operations of the Bank;
ii. To ensure continuity in management of its corporate affairs/operations; and
iii. To avoid strategic risk resulting from a sudden vacancy of critical positions in the Bank.

b. SCOPE:

The plan shall initially cover the President & CEO, the Vice Chairman & Chief Operations Officer, the Heads of each Group, and the Branch Region Heads. Eventually, the plan shall cover the lower-level officers, managers, and senior managers.

c. DEFINITION:

Succession Plan - A process whereby an organization ensures that there are employees on hand ready to fill roles in cases of expansion and loss of key employees. It includes recognizing and identifying potential successors within the Bank, training them, and preparing them for career advancement.

d. GUIDELINES:

The plan shall take the following steps:

i. Formulation of Qualification Standards and Competence Criteria Qualification standards on the critical positions to be considered for the Succession Plan shall have to be established and included in the Job Description of the position.

The indicators are:
- o Education and training;
- o Work experience;
- o Technical competence; and
- o General / Leadership competence.

Likewise, a review of past performance ratings shall be conducted as one of the readiness indicators to ensure that the candidates have consistently turned in good performance.

ii. Identification of Successors
The senior officers, starting from the President & CEO, the Vice Chairman & COO, together with the Group Heads of each functional group and the Branch Area Heads, shall endeavor to identify the possible successors or nominees to their respective positions. They shall identify potential successors who will be:

- Ready in one (1) to three (3) years; and
- Ready in four (4) to six (6) years.

iii. Establishing Readiness Human Resources Group shall conduct sessions and interviews with the concerned senior officers mentioned in Item B to determine the readiness criteria and rating to assume the positions earmarked for succession. A working sheet shall be prepared to score and document the readiness of the nominees identified.

iv. Role of the Personnel Committee
The nominees submitted by the senior officers shall be presented to the Bank's Personnel Committee for validation and approval, and may warrant a short-listing of nominees if necessary, should there be three or four candidates being considered for certain positions for succession.

v. Determining Competence Gaps. In the process of evaluating the candidates for succession using the various factors like technical, general, and leadership competencies/skills, aside from training and interventions required, competence gaps for each candidate shall be determined so that appropriate developmental programs can be designed for them.

vi. Formulation of Developmental Programs for Nominees
Considering that there will be competence gaps on the part of the candidates for succession, customized developmental programs shall be designed to cover the competence inadequacies of each candidate. The developmental programs shall be in the form of the following: external training, leadership skills training, on-the-job training, cross-posting in other areas, special projects assignments, and other forms of interventions that may be necessary. The conduct of developmental programs may be done individually or on a per-batch/group basis.

vii. Mentoring and Coaching Sessions Mentors in the Bank shall be identified with the assistance of the Human Resources Group to advise and coach the nominees in preparation for them to eventually assume higher responsibilities.

N. REMUNERATION POLICY

The Corporate Governance Committee of the Board sets the compensation package of the Directors. The Executive Committee sets the compensation and benefits package of the Bank's officers and staff members. To ensure competitiveness, the compensation and benefits package is benchmarked with competition through formal and informal surveys and participation in syndicated studies on industry Total Compensation and Rewards. The Executive Board members as well as employees of the Bank receive fixed salaries, benefits and performance-based bonus the amount of which is dependent on the performance of the bank and the concerned employee.

Each director of the Bank receives a per diem allowance of ₱40,000.00 determined by the Board of Directors for attendance in a Board meeting and a ₱10,000.00 allowance for attendance in a committee meeting. The Directors are also entitled to a monthly gasoline allowance of ₱5,000.00. None of these Directors receive any additional compensation for any special assignments.

A Non-Executive Director (NED) receives per diem allowance for his attendance to each Board meeting and additional allowance for committee meetings. Furthermore, an NED is also entitled to a monthly gasoline allowance.

Except for each of the individual Directors' participation in the Board, no Director of the Bank enjoys other arrangements such as consulting contracts or similar arrangements.

The following table sets forth the aggregate compensation received by its key management officers:

In ₱ millions		Aggregate Compensation Paid as a Group		
NAME	**POSITION**	**2022**	**2023**	**2024**
CEO and the four (4) most highly compensated officers (for the year 2024) of the Bank namely:		35.71	37.34	
Rolando R. Avante	Vice Chairman / President & CEO			
Joseph Edwin S. Cabalde	EVP - Treasurer			
Arlon B. Reyes	EVP - Head of Commercial Banking Group			
Benley B. Uy	FVP - Head of Information Technology Group			
Dulce Gidget R. Salud	SVP- Head of Financial Sales & Distribution Center			

Total Aggregate Compensation of Directors and Officers of the Bank as a group:	Salary	Other Compensation	Bonus	Total
2022	528.92	37.78	125.43	692.13
2023	578.24	37.4	129.5	745.14
2024	**609.80**	**42.21**	**135.67**	**787.68**

O. RELATED PARTY TRANSACTIONS

The Board of Directors has the overall responsibility for ensuring that transactions with related parties are handled soundly and prudently, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors, and other stakeholders. The Board is responsible for approving all material RPTs, those that cross the material threshold, and write-off of material exposures to related parties, and submits the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall be approved by the Board of Directors. The Board of Directors delegated to the appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the Board of Directors. This excludes DOSRI transactions, which are required to be approved by the Board.

The Board of Directors constituted an RPT Committee, which will:

1. Evaluate on an ongoing basis the existing relationship between and among businesses and counterparties to ensure that all related parties are continuously identified, monitored, and subsequent relationships with counterparties are captured;
2. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions;
3. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures and policies on conflict of interest or potential conflict of interest;
4. Report to the Board of Directors regularly the status and aggregate exposure to each related party;
5. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review; and
6. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting the RPTs, including the periodic review of RPT policies and procedures.

The senior management shall implement appropriate controls to effectively manage and monitor RPTs.

PBB's RPT shall be allowed provided that these comply with applicable regulatory/internal limits/requirements and dealings are conducted at arm's length basis. Said transactions shall only be made and entered into substantially on terms and conditions not less favorable than those with other customers of comparable risks.

RPTs shall not require the approval of the Board of Directors, except on the following:

1. Transactions with DOSRI which presently require prior approval from the BOD under the existing policy of the Bank and following the MORB; and
2. RPTs that exceed the material threshold amounts, as approved by the Board.

Approval of the RPT with non-DOSRI and those that do not exceed the material threshold amounts shall follow the revised policy on levels of signing authority, as approved by the Board. All RPTs that cross the threshold amounts shall be considered as material RPTs and shall be subject to pre-board approval evaluation by the RPT Committee before the same are endorsed to the Board for approval. All approved RPTs shall be reported by the booking/contracting units to the Operations and Control Group (OCG) upon approval of the transaction/signing and notarization of the contract for MIS disclosure and regulatory reporting purposes.

If an actual or potential conflict of interest arises on the part of the director, officer, or employee, he is mandated to fully and immediately disclose the same and should not participate in the decision-making process related to the transactions. Any member of the Board who has an interest in the transaction under evaluation shall not participate therein and shall abstain from voting on the approval of the transaction.

Transactions that were entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process required in the policy. However, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall subject the RPT to the requirements of the RPT Policy.

To ensure that RPTs are done at arm's length, all transactions with related parties shall undergo the normal/regular transaction processing and approval. Interest on loans and other credit accommodations and deposit/deposit substitute shall be consistent with the price discovery mechanism/standards of the bank as posted on its website. Other economic terms of RPTs shall likewise be based on the existing policy of the bank. All RPTs with deviation shall be subject to evaluation and endorsement by the RPT Committee to the Board of Directors for approval, regardless of amount, and shall be supported by written justifications. Price discovery mechanism for ROPA and selection of service providers and suppliers are also mentioned in the RPT policy of the Bank.

Materiality thresholds for each type of transaction with each related party or group of related parties are specified in the RPT Policy. Internal limits for individual and aggregate exposures are also defined in the RPT Policy to ensure that RPTs are within prudent levels.

As a publicly listed company that is regulated by the Securities and Exchange Commission, the Bank also adheres and complies with SEC rules and regulations for related party transactions such as but not limited to SEC Memorandum Circular No. 010 Series of 2019 (Rules on Material Related Party Transactions).

The Bank's RPT Policy Manual was amended in July 2024 to enhance governance policies.

P. SELF-ASSESSMENT FUNCTION

The control environment of the Bank consists of:

a. Board of Directors - ensures that PBB is properly and effectively managed and supervised;
b. Management - manages and operates the Bank in a sound and prudent manner;
c. Organizational and procedural controls supported by effective management information and risk management reporting system; and
d. An independent audit mechanism to monitor the adequacy and effectiveness of the Bank's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations, and contracts.

Internal Audit Function

Internal Audit Charter

Effective and efficient controls are fundamental to Philippine Business Bank (PBB)'s ability to deliver superior products and services to its clients/customers, opportunities to its employees and the highest returns to its shareholders. Each control must work every day, for every customer and every transaction for PBB to achieve its goals. Effective controls improve quality and customer satisfaction and make good business sense. The Board, Senior Management, Internal Audit, other members of the Control Community, Business Heads and all colleagues has a shared commitment to maintain and enhance the integrity of PBB's control environment.

Within the context of this corporate control framework, ***Internal Auditing*** *is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*

The work of the Internal Audit Center is to determine whether the Bank's network of risk management, control, and governance processes, as designed and represented by management, is adequate and efficiently functioning in a manner to ensure that:

1. Risks are appropriately identified and managed.
2. Interaction with the various governance groups occurs as needed.
3. Significant financial, managerial, and operating information is accurate, reliable, and timely.
4. Operations and system functionalities are in compliance with PBB's code of conduct, policies, standards, procedures, and applicable laws and regulations, including adequacy and effectiveness of controls associated with money laundering and terrorist financing.
5. Resources are acquired economically, used efficiently, and adequately protected.
6. PBB's programs, plans, and objectives are achieved.
7. Significant legislative or regulatory issues impacting the organization are recognized and addressed properly.

Audit Coverage

All processes, systems units and activities including outsourced activities shall fill within the scope of internal audit function. The frequency and scope of audit coverage are determined from the on-going assessment of risk. The audit program includes obtaining an understanding of the systems under audit, evaluating their adequacy, and testing the degree of compliance with key controls.

Standards and Ethics

The Internal Audit Group (IAG) accepts and adheres to the Standards for the Professional Practice of Internal Auditing of the institute of Internal Auditors (IIA) and other Auditing Standards and regulations. The Institute of Internal Auditors (IIA) has set forth standards of conduct calling for high standards of integrity, objectivity, confidentiality, and competence to which the Internal Audit Group (IAG) will conform.

Responsibility Statement & Declaration of Independence

The environment in which the IAG operates is designed to uphold the highest standards of objectivity and independence. The Bank fosters a culture of respect for the objectives and priorities of IAG's programs, ensuring that the Group's role is clearly understood and valued. There is a strong and consistent level of cooperation from all stakeholders, which facilitates the smooth execution of our tasks. Furthermore, IAG's autonomy is fully respected, with no interference in the performance of our duties or in our responsibility to report directly to the Audit Committee. This supportive environment ensures that IAG can effectively carry out its work with integrity, free from any undue influence, and maintain its commitment to transparency and accountability.

The Board-approved Internal Audit Charter outlines the mission, responsibilities, accountabilities, authority, and scope of work for IAG, providing a clear framework for its operations. This Charter is designed to align with relevant regulations, international auditing standards, and established best practices in corporate governance, ensuring that IAG adheres to the highest ethical and professional benchmarks.

Duties and responsibilities of the Audit Committee.
The Audit Committee shall:

1. *Oversee the financial reporting framework.* The committee shall oversee the financial reporting process, practices, and controls. It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.
2. *Monitor and evaluate the adequacy and effectiveness of the internal control system.* The committee shall oversee the implementation of internal control policies and activities. It shall also ensure that periodic assessment of the internal control system is conducted to identify the weaknesses and evaluate its robustness considering the Bank's risk profile and strategic direction.

3. *Oversee the internal audit function.* The committee shall be responsible for the appointment/selection, remuneration, and dismissal of the CAE. It shall review and approve the audit scope and frequency. The Committee shall ensure that the scope covers the review of the effectiveness of the Bank's internal controls, including financial, operational and compliance controls, and risk management system. The Committee shall functionally meet with the CAE and such meetings shall be duly minutes and adequately documented. In this regard, the audit committee shall review and approve the performance and compensation of the CAE, and budget of the internal audit function.
4. *Oversee the external audit function.* The Committee shall be responsible for the appointment, fees, and replacement of external auditor. It shall review and approve the engagement contract and ensure that the scope of audit likewise cover areas specifically prescribed by the Bangko Sentral ng Pilipinas and other regulators.
5. *Oversee implementation of corrective actions.* The Committee shall receive key audit reports, and ensure that Senior Management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws, and regulations and other issues identified by auditors and other control functions.
6. *Investigate significant issues/concerns raised.* The Committee shall have explicit authority to investigate any matter within its terms of reference, have full access to and cooperation by Management, and have full discretion to invite any director or executive officer to attend its meetings.
7. *Establish whistleblowing mechanism.* The Committee shall establish and maintain mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. Also, Committee ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

Moreover, IAG's independence is reinforced by its direct reporting relationship with the Board of Directors through the Audit Committee. This structure guarantees that IAG operates free from external influence, empowering it to provide objective and impartial assessments. By maintaining this direct line of communication, the IAG can effectively deliver unbiased insights and recommendations, ensuring that the Board of Directors and Audit Committee receive timely and accurate information to support informed decision-making and governance oversight. This framework underscores IAG's commitment to transparency, integrity, and the ongoing improvement of the organization's governance and risk management processes.

IAG 2024 Milestones

IAG has **surpassed the over-all approved 2024 Risk Based Audit Plan (RBAP) by 45%** with Branch, Head Office, and IT Units exceeding their respective targets for the year by 54%, 13% and 9%, respectively. This could be attributed to the optimization of manpower resources and auditors' capabilities and their demonstration of exceptional commitment and expertise. By leveraging on the available audit tools and technology, audit teams were able to streamline processes and conduct more comprehensive audit engagements within the established time frame. Exceeding the 2024 RBAP is a testament to IAG's dedication, resourcefulness, and commitment to continuous improvement. The results reflect the positive impact of strategic planning, effective execution, and a collective effort to deliver beyond expectations.

As part of IAG's commitment to continuous improvement, **34 business process improvements (BPIs)** were implemented, contributing to IAG receiving a BPI rating of "10" in the annual KPI – Business Improvements, awarded by the Human Resource Group. Notable BPIs for 2024 included the adoption of technology, such as the digitization of workpapers and the automation of confirmation letter preparation and distribution. Additionally, 23 Audit Program Guides were created or revised to ensure alignment with industry best practices and regulatory requirements, further enhancing the efficiency and effectiveness of IAG's operations.

In 2024, a total of 113 Audit Feedback Survey (AFBS) were received, with **99% (112 responses) rating the internal audit activity as "Superior" or "Above Average."** This high satisfaction rate highlights the effectiveness of IAG's audit system, which is well-adapted to the operations of the auditees and contributes significantly to improving both the Bank's and auditees' processes.

True to its mission of adding value to the organization, IAG actively participated as **Resource Person** in various Committees (Committee on Employee Discipline, Bid Committee, Personnel Committee, IT Steering Committee) and Bank projects aimed at providing recommendations to improve operational efficiency, mitigate risks, and strengthen internal controls. In these engagements, IAG's role was focused on offering independent and objective insights, ensuring that its contributions enhanced decision-making and supported the Bank's long-term goals, without assuming management responsibilities.

As part of IAG's pre-audit and administrative function, it was able to review **424 final pay of separated employees, 6,122 payment order forms, and 55 draft manual and policies**. It was able to provide insights a recommend improvements in specific areas of bank operations to ensure accuracy and compliance with existing policies.

IAG thru its bank-sponsored training and certification programs ensure that auditors' knowledge is enhanced and skills upskilled with the latest industry standards, practices, and regulatory requirements. For 2024, IAG already have a workforce of **39 with various certifications /specialized training** that allow IAG to offer tailored, high-quality services across the Bank. IAG can now conduct special assessments such as "Swift Attestation" as IAG now has Certified Information Systems Auditors and Certified in Cybersecurity required for the assessment. Previously, this was outsourced by the Bank.

Value Proposition: Goals for 2025 and Beyond

IAG envisions on becoming a "trusted advisor" where IAG takes pride in providing value-added services and proactive strategic advice well beyond its assurance function. Gradually, IAG is taking steps transitioning from the traditional role, where internal audit is viewed as fault finder, to being a strategic partner.

IAG also presented to the Audit Committee a Five-year Strategic Audit Plan in 2022. It outlines the five-year plan (from 2023 to 2027) for the Internal Audit Center that mainly covers the roadmap on compliance with ISPPIA and BSP requirements aimed to achieve a more efficient and effective audit operations.

For 2024, IAG was able to accomplish the plans set out for the year, as follows:

1. Development of CAATS
2. Use of Audit Command Language (ACL) to enhance analysis of data and cover a much bigger population
3. Enhancement of guidelines on working paper use and management
4. Use of 5S in records management
5. Enhancement of the database for monitoring findings
6. Enhancement of guidelines for the resolution of findings

Compliance System

The Bank develops and implements a compliance system that will provide reasonable assurance that the Bank and its employees comply with relevant banking and corporate laws, regulations, rules and standards in order to promote safe and sound banking operations.

One of the elements of the Compliance System that is distinct and separate from the risk management and Internal Audit Program is the Compliance Manual duly approved by the Board. The Compliance Manual defines duties and responsibilities of the Board of Directors and Senior Management on Compliance; Identifies laws, rules and regulations, standards applicable to the Bank; Defines the responsibility of the Chief Compliance Officer (CCO), Compliance Coordinators and other personnel involved in the compliance function and Provide period compliance testing of applicable regulations.

The designated Compliance Coordinators of each branch or head office unit assist the CCO in the effective implementation of the compliance program through dissemination of laws, rules, regulations, and standards, and other regulatory requirements in their respective unit; perform self-test and submit to the CCO findings/ violation of regulations during the self-test made. The Compliance Office also performs an Independent Compliance Testing (ICT) of units/branches, among the items subject to ICT is the validation of the self-assessment performed by each unit.

The Compliance Function is an independent function that defines, advises on, monitors and reports on the Bank's compliance risk of legal or regulatory sanctions, financial loss or loss to reputation a bank may suffer as a result of its failure to comply with laws, rules and standards.

The compliance function shall be independent from the business activities of the Bank. It shall be provided with sufficient resources to carry out its responsibilities on its initiative in all units where compliance risks exist. It shall have the right to conduct investigations and be free to report to Senior Management, Corporate Governance Committee, and/or the Board of Directors material breaches of the Compliance Program and/or laws, rules, and standards, without fear of retaliation or disfavor from Management or other affected parties. It shall have access to all operational areas as well as any records or files necessary to enable it to carry out its duties and responsibilities.

To carry out its Compliance responsibilities effectively, the Compliance Office may enter all areas of the Bank and have access to any documents and records considered necessary for the performance of its responsibilities; and shall have the right to require any member of the Management and Staff to promptly supply information and/or explanations as may be needed to carry out its functions.

The Chief Compliance Officer functionally reports to the board of directors through the Corporate Governance Committee and administratively to the President.

The Board of Directors, through the Corporate Governance Committee's monthly meeting, oversees the effective implementation of the control process of the Bank by:

1. Immediately addressing the concerns/issues noted by Compliance Testing personnel during their examination.
2. Resolving expeditiously the violations/findings noted during the self-assessment provided by the Compliance Coordinator and Independent Compliance Testing performed by the Compliance Specialist.

Q. DIVIDEND POLICY

PBB is authorized under Philippine laws to declare dividends, subject to certain requirements. The Board is authorized to declare dividends only from its unrestricted retained earnings and these dividends may be payable in cash, shares, or property, or a combination thereof as may be determined by the Board. A cash dividend declaration does not require any further approval from shareholders. The declaration of stock dividends is subject to the approval of shareholders holding at least two-thirds of PBB's outstanding capital stock. The Board may not declare dividends that will impair its capital.

Under Republic Act 8791 and as provided for in the Manual of Regulations Banks, PBB cannot declare dividends greater than its accumulated net profits then on hand, deducting therefrom its losses and bad debts. PBB cannot likewise declare dividends if at the time of its declaration, it has not complied with the following:

a. Its clearing account with BSP is not overdrawn;
b. BSP's liquidity floor requirement for government funds;
c. BSP's minimum capitalization requirement and risk-based capital ratio;
d. Prescribed EFCDU/FCDU cover consisting of 30 per cent liquidity cover and 100 per cent asset cover
e. Statutory and liquidity reserves requirement;
f. It has no past due loans or accommodation with BSP or any institutions;
g. It has no net losses from operations in any one or two fiscal years immediately preceding the date of dividend declaration;
h. It has not committed any of the major violations enumerated in the Manual.

The Manual provides that banks whose shares are listed in the Philippine Stock Exchange may give immediate notice of such dividend declaration to SEC and PSE; provided that no record date shall be fixed for such dividend declaration pending verification by the appropriate department of the BSP.

R. CORPORATE SOCIAL RESPONSIBILITY

PBB is committed to supporting the communities we operate in through healthcare, children and education, and responsible business practices.

Our corporate social responsibility (CSR) efforts come under the AMY Foundation programs, which aim to create sustainable good for caring and inclusive societies.

Enriching lives and strengthening social bonds are fundamental elements of the Bank's philosophy. PBB is committed to supporting the social development of the communities in which it operates in through the core areas of children and education. PBB believes these to be essential for the quality and progress of society.

Through the decades, PBB, through the AMY Foundation's efforts across the region have supported the young, especially the underprivileged.

S. CONSUMER PROTECTION PRACTICES

A. Board and Senior Management Oversight Function

a. Board of Directors

The Board shall be primarily responsible for approving and overseeing the implementation of policies governing major areas of the Bank's consumer protection program, including the mechanism to ensure compliance with the set policies.

The roles of the Board shall include the following:
i. Approve the consumer protection policies;
ii. Approve risk assessment strategies relating to effective recourse by the consumer;
iii. Provide adequate resources devoted to consumer protection; and
iv. Review the applicable policies periodically.

b. Senior Management

The senior management shall be responsible for the proper implementation of the consumer protection policies and procedures duly approved by the Board. Also, its role shall focus on ensuring effective management of day-to-day consumer protection activities.

B. Consumer Protection Risk Management System

The Bank's Consumer Protection Risk Management System (CPRMS) shall form part of the Corporate-wide Risk Management System. It is a means to identify, measure, monitor, and control consumer protection risks. Risk Management Strategies shall include appropriate management controls and reasonable steps to ensure that:

a. it identifies and remedies any recurring or systematic problems; and
b. identifies weaknesses in internal control procedures or processes.

This may be done by:

a. analyzing complaints/requests data;
b. analyzing causes for complaints/requests;
c. consideration whether such identified weaknesses may also affect other processes or products, including those not directly complained of/requested; and
d. correcting whether reasonable to do so, such causes taking into consideration the concomitant costs and other resources.

C. Consumer Assistance Management System

The Consumer Assistance Management System (CAMS) is a mechanism that records all complaints filed by customers either through the BSP or directly to the concerned branch. The system also monitors the status of the complaints' processing and resolution.

The general process of handling customer complaints is as follows:

a. The client may lodge his/her complaint through any of the following means:
   i. By personally visiting the concerned branch/head office unit (where he/she shall be asked to fill out the Customer Complaint Form [CCF]);
   ii. Through telephone via the following contact numbers:

Telephone Numbers	Available Time
Branch/H.O. unit	9:00 AM – 4:00 PM (Monday to Friday)
Consumer Protection Direct Line • (02) 8363-4357 • (02) 8244-9176 Domestic Toll Free Hotline • 1-800-1-888-4357	9:00 AM – 4:00 PM (Monday to Friday)
Card-related Concerns Hotline/PBB Helpdesk • (02) 8363-3000 Domestic Toll Free Hotline • 1-800-10-363-3000	24 hrs. (Monday to Sunday)

   iii. Via e-mail at consumerprotection@pbb.com.ph
   iv. Scanning the QR Code posted on the Philippine Business Bank website

b. The concerned branch/HO Consumer Assistance Officer (CAO) shall validate the complaint received from the customer. If the complaint can be resolved immediately/upfront, he/she shall explain to the client the resolution of the complaint. If the complaint cannot be resolved immediately, he/she shall explain to the client the following timeline (which is reckoned from the date of receipt of the complaint):

	If the complaint is classified as "Simple"	If the complaint is classified as "Complex"
Acknowledgment	Within 2 days	Within 2 days
Processing and resolution (assess, investigate, and resolve)	Within 7 days	Within 45 days
Communication of resolution	Within 9 days	Within 47 days

The Consumer Assistance Officer (CAO) shall transmit the CCF to the Consumer Protection Unit via e-mail.

c. The complaint shall pass through the Consumer Protection Officer (CPO) or the PBB Helpdesk (if the complaint is lodged via telephone), who shall acknowledge receipt of the same and shall obtain/record the details of the compliant in the CAMS. The CPO (or PBB Helpdesk) shall then assign the complaint to the concerned support group.

d. The support group retrieves the complaint received through the CAMS or e-mail (whichever is applicable) and performs the necessary corrective actions based on the nature of the complaint. The resolution made on the complaint shall then be recorded accordingly in the CAMS or reply via e-mail (whichever is applicable).

e. Once the complaint has been resolved by the Support Group, the CPO shall tag it as closed in the CAMS. The CPO (or the PBB Helpdesk) shall also be the one to generate and submit the Customer Complaint Summary Report monthly to the Consumer Protection Head.

f. The Consumer Protection Head shall perform the following tasks:

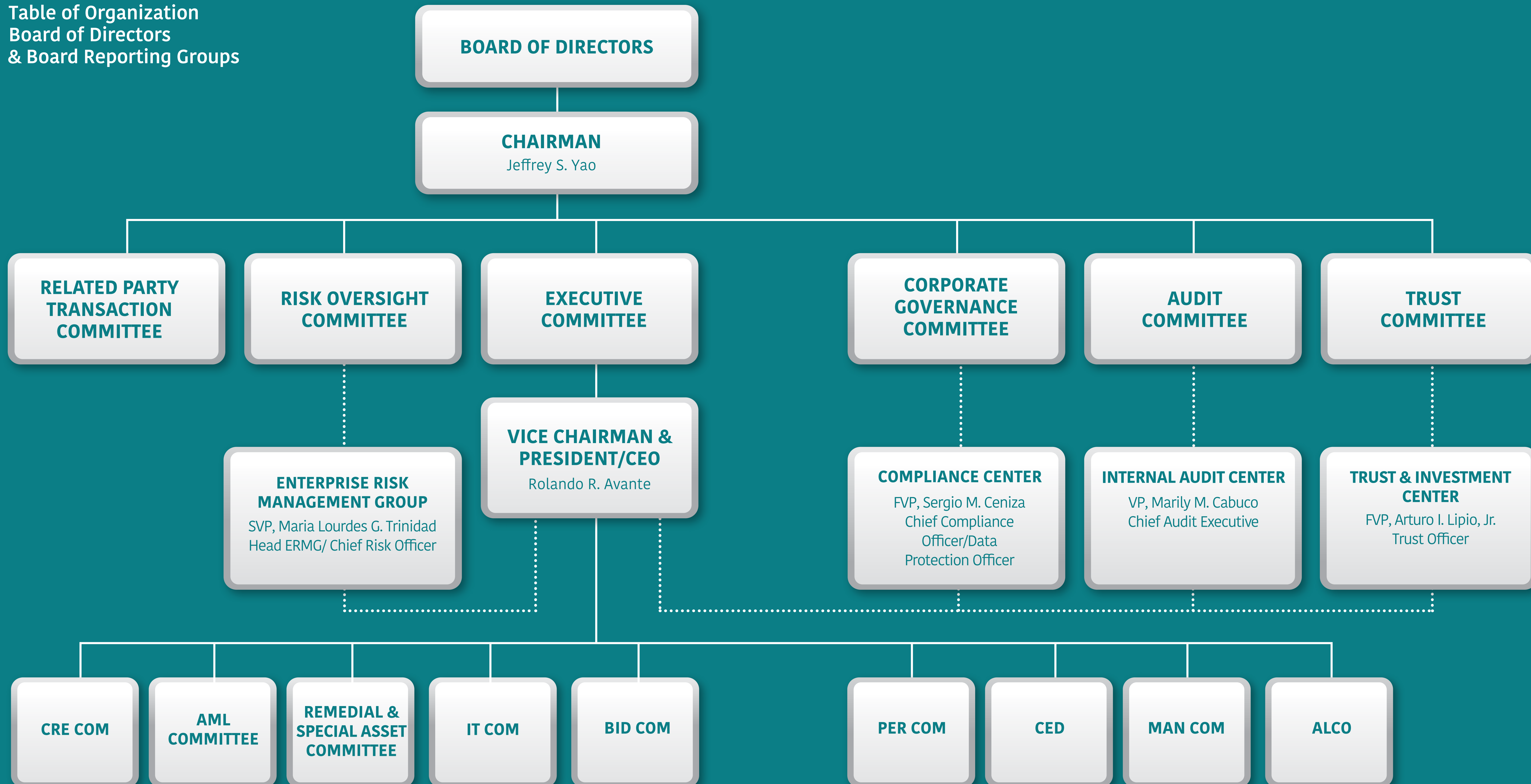
   i. Monitor and evaluate the customer complaints handling process;
   ii. Analyze the nature of the complaints and recommend solutions to avoid recurrence;
   iii. Extract the generated complaints report monthly, except when it is urgently needed to be submitted to and reviewed by the HR Head;
   iv. Recommend the resolution of the case or, if needed, to be elevated to the proper authorities or needed to be taken up in the Committee on Employee Discipline (CED), if applicable;
   v. Report to senior management every quarter the complaints received and the resolutions applied;
   vi. Report periodically to the Board all complaints received within the period as stated; and
   vii. Make recommendations and assessments on the cases filed to avoid recurrence in the future.

g. To assess if the complaints have been resolved to the highest degree of satisfaction, the Bank also asks for feedback through its Complaint Handling Feedback Form. This is sent via email to the concerned client after the complaint's resolution. In addition, to ensure consistency in the level of service rendered after the complaint filing, the Bank monitors the implementation of the resolution after 30, 60, and 90 days through the Service Recovery Strategy (SRS) Tracking System.

Conglomerate Map

- ALFREDO M. YAO
  - ZEST-O. CORPORATION
    - PHILIPPINE BUSINESS BANK, INC.
  - MEGA ASIA BOTTLING CORP.
    - MAZY'S CAPITAL INC.
      - ZESTPOWER CORP.
      - MACAY HOLDINGS INC.
        - ARC HOLDINGS INC.
        - ARC REFRESHMENTS INC.
  - DOWNTOWN REALTY INVESTMENT INC.
  - AMY BUILDING LEASING (Sole Proprietorship)
  - ONNEA HOLDINGS INC.
  - SUMMIT HOTEL & RESORT SPECIALIST INC. (Movenpick Boracay)
  - MONEY MOVERS, INC.
  - AMY HOLDINGS INC.
    - ZEMAR DEVELOPMENT INC.
    - DELTA AIR CORPORATION
  - SEMEXCO MARKETING CORP
  - HARMAN FOOD PHILS, INC.
  - UNI-IPEL INDUSTRIES INC.
  - SOLMAC MARKETING INC.
  - PHARMA-REX
  - ASIAWIDE KALBE PHILS, INC.
  - AMY FOUNDATION INC.
  - AMCHEM MARKETING INC.
  - BEVPACK
  - AMCHEM MARKETING INC.
  - ASIAWIDE REFRESHMENTS CORP.
  - ZEST AIRWAYS INC.
  - SMI DEVELOPMENT CORPORATION

Table of Organization
Board of Directors
& Board Reporting Groups



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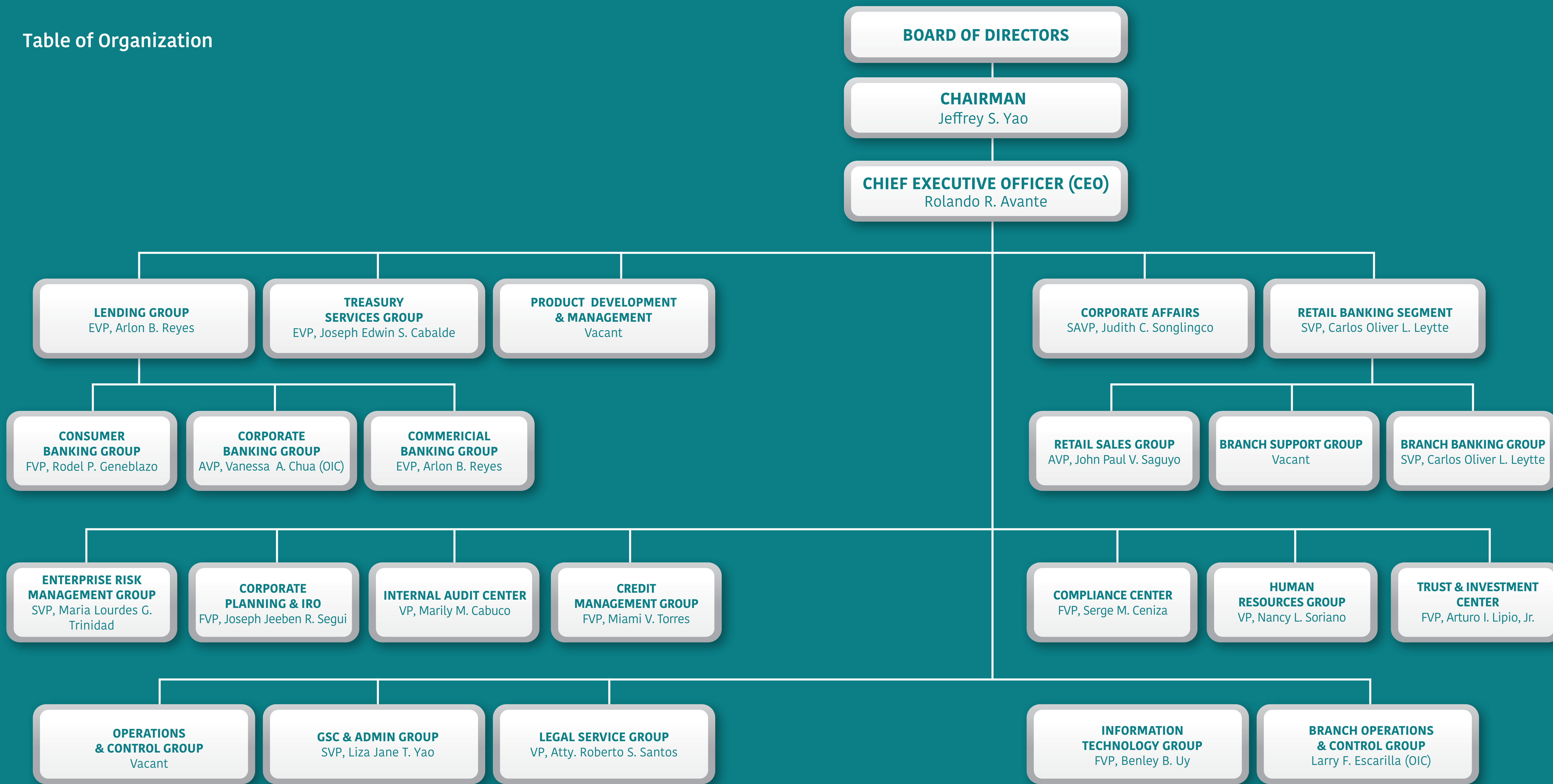

Branches

METRO MANILA BRANCHES

Main Office Branch
350 Rizal Ave. Ext cor 8th Ave.,
Grace Park, Caloocan City
Phone: (632) 8363-3333
Fax: (632) 8363-0291

A. Mabini C-3
200 A. Mabini St. Maypajo,
Caloocan City
Phone: (632) 8287-8895;
8287-6621

Aseana City – Parañaque
Ground Floor
Commercial Space GO1
Ri-Rance Corporate Center I,
Aseana City, Paranaque
Phone: (632) 7959-1739;
8775-3746

Banawe
Unit 5-7 Solmac Bldg.
84 Dapitan cor Banawe St.,
Sta. Mesa Heights,
Quezon City
Phone: (632) 8708-5810

Binondo Corporate Center
1126 Soler St., Binondo, Manila
Phone: (632) 8242-0601;
5310-3785;
5310-3784; 8243-8823
CBG- Binondo Lending Center
Phone: (632) 8522-9594

Bonifacio Global City
Shop 9B,
G/F Philplans Corporate Center,
1012 Triangle Drive
corner 10th Avenue,
Bonifacio Global City
Phone: (632) 8831-8127
Fax: (632) 8831-9971

Bonifacio Global City – Net Plaza
G/F Net Plaza 31st St.,
Bonifacio Global City,
Taguig, Metro Manila
Phone: (632) 8351-6498;
7507-2325

Caloocan-MacArthur Highway
The Grandz Commercial Building
1798 MacArthur Highway
cor. Calle 4, Barangay 81,
Caloocan City
Phone: (632) 8722-0767;
8721-3352
Fax: (632) 8721-3331

Camarin
Zabarte Town Center
588 Camarin Rd.
cor. Zabarte Rd.,
North Caloocan City
Phone: (632) 8962-0627;
8962-0232; 8962-0160

Carmen Planas
869 Carmen Planas St.,
Binondo, Manila
Phone: (632) 8522-7972;
8245-5066
Fax: (632) 8245-5226

Commonwealth - Fairview
G/F Datamex -
College of St. Adeline
Commonwealth Ave., East
Fairview Park Subd.,
Quezon City
Phone: (632) 3428-7104;
Fax: (632) 8376-2358
Region Office: (632) 8376-9477

Concepcion- Marikina
Bayan- Bayanan Ave.,
Concepcion Uno,
Marikina City
Phone: (632) 8948-5688;
7955-6172
Fax: (632) 8948-4213

Congressional Ave. - Quezon City
A.V. Safetynet Building, Lot
4D, Block 7, Gardenville,
Congressional Avenue,
Project 8, Quezon City
Phone: (632) 8372-0443
Fax: (632) 8532-5113

Cubao
Units D,
E & F Timbol Singh Bldg.,
915 Aurora Blvd., Cubao,
Quezon City
Phone: (632) 8709-3695
Fax: (632) 8709-3649

Del Monte
Upper Ground Floor Unit 103,
Z-Square Mall, Del Monte Ave.
corner Banawe St.,
Barangay Manresa,
Quezon City
Phone: (632) 8714-1036;
5310-2675
Fax: (632) 8671-8205

Edsa-Caloocan Business Center
574 EDSA Highway,
Caloocan City
Phone: (632) 8363-1635;
8363-2493; 8367-3592

Elcano
601-603 Elcano St.
cor. San Nicolas St.
Barangay 281, Manila
Phone: (632) 8671-4779;
8735-0040; 8645-8816

Gil Fernando Ave.- Marikina
Ground Floor of WRCC Bldg., I,
47 Gil Fernando Ave.,
Midtown Subd., Brgy. San Roque,
Marikina City
Phone: (632) 8461-3228
Fax: (632) 8461-3230

Grace Park
249 Rizal Avenue Ext.,
cor. 7th Ave.
Grace Park, Caloocan City
Phone: (632) 8361-0941
Fax: (632) 8361-1004

Greenhills
G/F LGI Bldg, Ortigas Ave.
Brgy. Greenhills, San Juan City
Phone: (632) 8234-9018;
7576-8365
Fax: (632) 8234-9016

Jose Abad Santos
1737-1739
Jose Abad Santos Ave.,
Tondo, Manila
Phone: (632) 8230-2344;
8230-4033

Kamias-Anonas
G/F Armon's Building
142 Kamias Road Cor.
Anonas St., Quezon City
Phone: (632) 8366-6874;
8366-6876

Kaybiga
Guilmar Marble
Corporation Bldg.,
#297 General Luis Street
Kaybiga, Caloocan City
Phone: (632) 8936-9685;
7121-2699
Fax: (632) 8936-9685

Las Piñas
Unit 1 & 2
G/F San Beda Commercial,
Zapote-Alabang Rd., Las Piñas
Phone: (632) 8874-7966
Fax: (632) 8875-0589

Legaspi Village - Makati
Sunrise Terraces,
100 Perea St., Legaspi Village,
Brgy. San Lorenzo, Makati City
Phone: (632) 8551-2419
Fax: (632) 8551-2416

Madrigal Business Park
Unit 102 G/F Corporate Centre
1906 Finance Dr., Madrigal
Business Park,
Muntinlupa City
Phone: (632) 8822-6646;
8822-6716
Fax: (632) 8822-2706

Makati
137 Yakal Street, Makati City
Phone: (632) 8892-6768;
8817-5720; 8812-4755
Fax: (632) 8892-8498

Makati – Aguirre
Unit 1 & 2
State Condominium II,
117 Aguirre St.,
Legaspi Village,
Makati City
Phone: (632) 8833-8892

Malabon
155 Gov. Pascual Ave.,
Malabon City
Phone: (632) 8288-0078
Fax: (632) 8287-7873

Malabon - Rizal Ave.
726 Rizal Ave. Brgy. Tañong,
Malabon City
Phone: (632) 8376-1434;
7117-4591

Malinta
G/F MS Apartelle Building,
415 McArthur Highway,
Dalandanan, Valenzuela City
Phone: (632) 8282-0231
Fax: (632) 8282-3348

Mandaluyong
Unit I, Facilities Centre
Shaw Blvd., Mandaluyong City
Phone: (632) 8470-3244
Fax: (632) 8531-3537

Marikina
306 J. P. Rizal St., Sta. Elena,
Marikina City
Phone: (632) 8646-5864;
7369-4002; 8646-6294

Muntinlupa
G/F Units 1 & 2
50 National Road
Putatan, Muntinlupa City
Phone: (632) 8551-0010

Navotas
G/F Teresita Bldg.,
North Bay Boulevard,
Navotas City
Phone: (632) 8355-4159

North Caloocan –
Quirino Highway
LGF Unit 2
Metro Plaza NCB Mall,
Quirino Highway, Barangay 185,
Malaria, North Caloocan City
Phone: (632) 8651-3396;
8651-3383
Fax: (632) 8355-4130

Novaliches
Krystle Bldg.
858 Quirino Highway,
Novaliches, Quezon City
Phone: (632) 8936-3467;
8938-4038
Fax: (632) 7007-0832

Ortigas Business Center
E Prime 24-A
CW Home Depot- Ortigas
No. 1 Doña Julia Vargas Ave.
cor. Meralco Ave.
Brgy. Ugong, Pasig City
Phone: (632) 8656-2461;
7503-3468
Fax: (632) 8656-3303

Pasay
2241 C.K. Sy Bldg.
Taft Ave., Pasay City
Phone: (632) 8836-7108;
8836-7109
Region Office: (632) 8398-7336

Pasay- Malibay
Unit E, J&B Building, 641 EDSA,
Malibay, Pasay
Phone: (632) 8845-0764;
8843-1172

Pasig Blvd. - Kapitolyo
G/F Unit 4 Elements on
Rosemarie Building
Pasig Boulevard
cor. Rosemarie St., Pasig City
Phone: (632) 8234-0607;
7500-6415
Fax: (632) 8234-0608

Paso de Blas
Paso de Blas road
cor. P. Santiago St.
Barangay Paso de Blas,
Valenzuela City
Phone: (632) 8292-3575;
8292-4136;
Region Ofifce: (632) 8294-6239
Fax: (632) 8293-1933

Paterno- Quiapo
707 Paterno St., Barangay 307
Quiapo, Manila
Phone: (632) 5310-5217;
8354-9670
Fax: (632) 8354-9695

Pedro Gil - Paco
1077 Pedro Gil St., Paco, Manila
Phone: (632) 8354-5141;
8354-3239

Quezon Avenue
1050 CWI Corporate Center,
Quezon Avenue, Quezon City
Phone: (632) 7914-0119;
8374-3884

Quezon Avenue- D. Tuazon
Bernmann Centre,
28 Quezon Avenue,
Barangay Doña Josefa,
Quezon City
Phone: (632) 8706-0749
Fax: (632) 8705-1924

Quintin Paredes
G/F Downtown Center Bldg.,
Quintin Paredes St.,
Binondo, Manila
Phone: (632) 8522-8039;
8522-0871;
Fax: (632) 8241-7123
Region Office: 8522-5609

Remedios
The Royal Plaza Twin Towers
Remedios St.,
cor. P. Guerrero St.,
Malate, Manila
Phone: (632) 8731-4373;
8727-5626; 5310-4825

Retiro
No. 84 Units A&B
N.S. Amoranto Ave.
Brgy. Salvacion, La Loma,
Quezon City
Phone: (632) 8711-2538
Fax: (632) 8711-2175

Roosevelt
Sun Square Bldg.
323 Roosevelt Ave
Brgy. San Antonio,
San Francisco
Del Monte, Quezon City
Phone: (632) 8376-1135
Fax: (632) 8376-1426

Salcedo Village- Makati
Unit GDA-1, LPL Center
130 L. P. Leviste St.,
Salcedo Village, Makati City
Phone: (632) 8550-2482;
8550-2480

Branches

Samson Road
117 D & E Samson Road,
Caloocan City
Phone: (632) 5310-9068;
8332-8506; 8332-8971

Sucat- Parañaque
Unit B-10-A Jaka Plaza Mall
A. Santos Ave., Sucat,
Parañaque CityPhone:
(632) 8552-2548; 8552-2547

The Fort
Units 104-105
Forbeswood Towers,
Forbestown Center, Rizal Drive
cor. Burgos Circle,
Bonifacio Global City,
Taguig City
Phone: (632) 8856-6653;
8856-6654; 8856-6652
DL: Treasury (632) 8556-3206;
8804-1132; 8804-1133

Timog- Rotonda
A.A. Tanco Bldg.
#55 Timog Avenue cor.
Tomas Morato Avenue, Brgy.
South Triangle, Quezon City
Phone: (632) 7950-6003;
8441-0895
Fax: (632) 8376-9530

Tomas Mapua
721 to 723 Tomas Mapua St.,
Sta. Cruz, Manila
Phone: (632)

Valenzuela
215 McArthur Highway,
Karuhatan, Valenzuela City
Phone: (632) 3443-8113;
8292-3296
Fax: (632) 3443-9030

Valenzuela- Gen. T. De Leon
G/F Unit 109 & 110
Arbortowne Plaza I,
Arbortowne Village,
Gen. T. de Leon St.,
Barangay Karuhatan,
Valenzuela City
Phone: (632) 8533-7087
Fax: (632) 8562-9678

West Avenue
Unit 102, West Ave. Strip,
No. 53 West Avenue
Brgy. Paltok, Quezon City
Phone: (632) 8709-7109
Fax: (632) 8709-7110

LUZON BRANCHES

Angeles
Lot 5 Blk 1 McArthur Highway,
Angeles City
Phone: (045) 626-2088;
626-2089;
Fax: (045) 626-2087

Antipolo
Units 3 & 4 Megathon Bldg.,
Circumferential Road,
Brgy. San Roque, Antipolo City
Phone: (632) 8697-3054;
8697-3051

Antipolo- Masinag
Unit 104 G/F Rikland Centre
Marcos Highway, Mayamot,
Antipolo City
Phone: (632) 8654-6654;
8234-2731
Fax: (632) 8654-6034

Baguio
G/F CTTL Bldg. Abanao Ext.,
Baguio City
Phone: (074) 424-4146;
447-2693; 447-2692

Balanga
Don Manuel Banzon Avenue,
Balanga City, Bataan
Phone: (047) 237-1136; 237-1137

Balayan
M. Alvez Space Rental Building,
GF Units M4 and M5,
Tuy – Balayan Highway,
Bonville Subdivision,
Barangay Lanatan,
Balayan, Batangas
Phone: (043) 425-9151;
403 9146; 419-9146

Baliuag
B.S. Aquino Ave.,
Bagong Nayon,
Baliuag, Bulacan
Phone: (044) 308-9073;
766-3485

Batangas
131 Diego Silang St.,
Barangay #15, Batangas City
Phone: (043) 757-4969;
757-2039; 757-4921

Benguet- La Trinidad
KM 5 La Trinidad, Benguet
Phone: (074) 422-9792;
422-9794

Binakayan
Tirona Highway, Binakayan,
Kawit, Cavite
Phone: (046) 434-7455;
434-7992; 434-9009

Biñan- Laguna
G/F S.A.P. Building,
5230 National Highway,
Brgy.San Vicente,
Biñan City, Laguna
Phone: (049) 511-3226
Fax: (049) 511-9200

Bocaue
MacArthur Highway,
Barangay Wakas,
Bocaue, Bulacan
Phone: (044) 248-6103
Fax: (044) 248-6103
Region Office: (044) 248-6191

Cabanatuan
Paco Roman St.
Cabanatuan City, Nueva Ecija
Phone: (044) 940-1470
Fax: (044) 940-1491

Cainta
Units B5 and B6
The Avenue, Felix Ave.,
Barangay San Isidro,
Cainta, Rizal
Phone: (632) 8681-1658
Fax: (632) 8647-5622

Calamba
G/F Unit 2
Kim-Kat Annex Bldg.,
National Highway, Parian,
Calamba City, Laguna
Phone: (049) 508-0059;
508-2645
Fax/ Manila Line:
(632) 8420-8207

Calapan
AST Tolentino Building,
JP Rizal Street,
Barangay San Vicente East,
Calapan City, Oriental
Mindoro
Phone: (043) 288-7092

Calasiao-Pangasinan
Vera Building
MacArthur Highway
San Miguel, Calasiao,
Pangasinan
Phone: (075) 600-1395;
649-2142

Candon- Ilocos Sur
G/F BZ Building
#15 National Highway,
Barangay San Isidro,
Candon City, Ilocos Sur
Phone: (077) 604-0172
Fax: (077) 604-0171

Cauayan
Maharlika Highway,
Brgy. San Fermin
Cauayan City, Isabela
Phone: (078) 652-0293;
652-0294; 260-0032; 652-0301

Carmona- Cavite
Ground Floor Unit 5,
88 Building,
Governor's Drive,
Barangay Maduya,
Carmona, Cavite City
Phone: (046) 481-5954
Fax: (046) 481-5955

Dagupan
Rizal St., Dagupan City
Pangasinan
Phone: (075) 523-4732;
523-4701; 202-6037

Dasmariñas-Cavite
Unit G2 Annie's Plaza Dasma,
Brgy. San Agustin I,
Dasmariñas City, Cavite
Phone: (046) 431-7368;
431- 4926;
Fax: (046) 431-7564

Dinalupihan
No. 33 Rizal St.,
Dinalupihan, Bataan
Phone: (047) 481-1093;
481-5203; 636-1118; 275-0602

Gapan
Tinio St. Brgy. San Vicente
Gapan City, Nueva Ecija
Phone: (044) 486-2437

General Tinio
Poblacion Central (Papaya),
Gen. Tinio, Nueva Ecija
Phone: (044) 958-2879
Fax: (044) 958-3001

Guagua
Clemente Puno St.,
Barangay Sto. Cristo,
Guagua, Pampanga
Phone: (045) 963-1059;
963-1073
Fax: (045) 963-1062

Imus
Aguinaldo Highway,
Tanzang Luma,
Imus, Cavite
Phone: (046) 472-3664;
472-3663
Fax/ Manila Line: (632) 8529-
8630

Iriga- Camarines Sur
Highway 1 corner Violeta St
San Miguel, Iriga City
Phone: (054) 299-7471

Kawit
Gregoria St.,
Poblacion Kawit, Cavite
Phone: (046) 484-5905;
484-7014;

La Union
G/F Virginia Bldg.
Quezon Ave. cor. Flores St.,
Dominion Bus Terminal,
National Highway
San Fernando City, La Union
Phone: (072) 242-3836;
242-0350

Laoag City
G/F
Laoag Allied Marketing Bldg.
Brgy. 19 J. P. Rizal St.,
Laoag City
Phone: (077) 772-3027
Fax: (077) 772-3041

Legazpi City
D' Executive Bldg, Rizal St.
Brgy. Tinago
Legazpi City, Albay
Phone: (052) 201-3595;
201-3815

Limay
National Road, Brgy. Reformista,
Bernabe Subdivision,
Limay, Bataan
Phone : (047) 244-4072;
633-9128

Lipa City
Units 1, 2, 3 & 4
Trinity Business Centre
Ayala Highway,
Brgy. Balintawak,
Lipa City , Batangas
Phone : (043) 773-8366

Lucena City
Quezon Avenue, Lucena City
Phone: (042) 797-1839;
322-0086; 797-1838

Malolos
G/F Unit 4 and 5,
DJ Paradise Hotel,
MacArthur Highway,
Barangay Dakila,
Malolos City, Bulacan
Phone: (044) 794-6254

Meycauayan
Medical Plaza Bldg.
McArthur Highway, Banga,
Meycauayan, Bulacan
Phone: (044) 769-6327; 769-6329

Molino - Bacoor
SolaGrande Centre, Molino
Business Centre,
Molino Road, Molino 2,
Bacoor City, Cavite
Phone: (046) 416-3832; 416-3827

Muzon
807 Luwasan Muzon,
City of San Jose del Monte,
Bulacan
Phone: (044) 760-4703; 760-4709;

Naga
Unit C G/F CBD Plaza Hotel,
Ninoy and Cory Avenue,
Central Business District II,
Triangulo, Naga City
Phone: (054) 473-6303

Olongapo
2420 Rizal Avenue
Brgy East Bajac-Bajac,
Olongapo City
Phone: (047) 222-9951

Ortigas Ave. Ext. - Cainta
G/F Crospoint Commercial Area,
Resta 2, Ortigas Ave. Ext.,
Cainta Junction, Brgy. Sto.
Domingo, Cainta, Rizal
Phone: (632) 8997-2251;
8941-4145
Fax: (632) 8997-2557

Pangasinan-Lingayen
17 Avenida, Rizal West,
Barangay Poblacion,
Lingayen, Pangasinan
Phone: (075) 633-2880
Fax: (075) 633-2879

Puerto Princesa Palawan
New Carlos Building
271 Rizal Avenue,
Central Business District,
Maningning,
Puerto Princesa City, Palawan
Phone: (048) 433-0060; 433-0049

San Fernando
Hyatt Garden Bldg.,
McArthur Highway
Dolores, San Fernando,
Pampanga
Phone: (045) 961-0523
Fax: (045) 961-0524

San Fernando – San Agustin
Pistahan Building,
Brgy. San Agustine,
City of San Fernando, Pampanga
Phone: (045) 455-4735

San Pablo
Lynderson Building,
Lopez Jaena St.,
San Pablo City, Laguna
Phone: (049) 300-0149; 521-1158
Fax: (049) 521-1121

San Pedro- Laguna
Alex Building,
National Highway, Brgy.
Poblacion, San Pedro, Laguna
Phone: (632) 8843-4099
Fax: (632) 8808-7352

Branches

Santiago
BDV Building, City Road,
Santiago City, Isabela
Phone: (078) 305-3068; 305-3079

SBMA- Subic
Unit 1-1 and 1-2
Subic Creative Center Bldg.
Lot C-5A, Block C, Manila Avenue
Corner Dewey Avenue,
Subic Commercial and
Light Industrial Park,
Central Business District,
Subic Bay Freeport Zone
Phone: (047) 250-3570
Fax: (047) 250-3571

Solano
Gaddang St., Barangay
Poblacion North,
Solano, Nueva Vizcaya
Phone:(078) 326-0030; 392-0309
Fax: (078) 326- 0014

Sorsogon
Chiang Kai Shek School Bldg,
Magsaysay Avenue,
Sorsogon City
Phone: (056) 421-6493

Sta. Maria
Angelica Bldg.
Gov. F. Halili Ave., Bagbaguin,
Sta. Maria, Bulacan
Phone: (632) 8299-6326

Sta. Rosa
Sta. Rosa Town Center
National Road, Brgy. Macabling,
Sta. Rosa City, Laguna
Phone:
Fax/ Manila Line:

Subic - Zambales
No. 0025 National Highway,
Calapandayan,
Subic, Zambales
Phone:(047) 232-1976

Tanauan
Jose P. Laurel Avenue,
Barangay Poblacion,
Tanauan City
Phone: (043) 702-7407

Tarlac
G/F Que Kian Juat Building
F. Tanedo Street,
Brgy. San Nicolas, Tarlac City
Phone: (045) 925-3302
Fax: (045) 925-3298

Tarlac- Paniqui
G/F Unit 8, Green Field Building,
Zamora St.,Poblacion Sur,
Paniqui, Tarlac
Phone: (045) 606-1085; 606-1190
Fax: (045) 491-8508

Taytay
Brgy. San Juan, Taytay, Rizal
Phone: (632) 8234-2580;
7218-3871
Fax: (632) 8234-1899

Trece Martires- Cavite
VPG Building, Tanza- Trece
Martires Road,
Brgy. San Agustin, Trece
Martires City, Cavite
Phone: (046) 416-7605;
416-7606

Tuguegarao
6 Rizal St., Barangay 8,
Tuguegarao City
Phone: (078) 304-0243; 844-0292;
844-0496
Fax: (078) 501-1049

Urdaneta
Unit 1,
The Pentagon GNC Bldg.
MacArthur Highway,
Nancayasan
Urdaneta, Pangasinan
Phone: (075) 656-2108;
568-5876;
Fax: (075) 656-3012

Vigan
Luisa Trading Building,
Quezon Avenue
cor. Salcedo St., Barangay 3,
Vigan City, Ilocos Sur
Phone: (077) 673-0067
Fax: (077) 604-0282

VISAYAS BRANCHES

Bacolod
Ground Floor Unit 3
T.U. Square, B.S. Aquino Drive
cor. Lacson St., Bacolod City
Phone: (034) 431 4754; 432-1862

Catbalogan
San Francisco St.
corner Rizal Ave.,
Catbalogan City, Samar
Phone: (055) 544-3674

Cebu- Banilad
A.S. Fortuna St., Banilad,
Mandaue City, Cebu
Phone: (032) 268-7340; 268-7347

Cebu - Escario
Unit G-08, Capitol Square,
Escario St., Cebu City
Phone: (032) 232-0147; 232-0145

Cebu- Talisay
Door 3, Rosalie Building,
Gaisano Fiesta Mall, Tabunok,
Cebu South Road
(a.k.a. Tabunok Highway),
Talisay City, Cebu
Phone: (032) 505-9048; 520-7853

Consolacion-Cebu
Highway Consolacion
(Fronting Cebu Home Builders)
Barangay Cansaga,
Consolacion, Cebu
Phone: (032) 423-0514; 236-3476

Downtown-Cebu
G/F Lianting Bldg.
130 F. Gonzales Street,
Cebu City
Phone: (032) 253-2366; 255-6490

Dumaguete
Ground Floor C&L Suites Inn,
485 Perdices Street
cor. Pinili Street,
Barangay Poblacion 3,
Dumaguete City
Phone: (035) 400-4800; 421-1474;

Iloilo
Ground Floor MSL Building
132 Quezon St., Iloilo City
Phone: (033) 335 1015;
320 0941

Iloilo-Donato Pison
Unit 1A & Unit 1B
Greenzone Center
Donato Pison Avenue,
Barangay San Rafael,
Mandurriao, Iloilo City
Phone:(033) 314-7500; 314-7365

Iloilo – Jaro
G/F Rosman Building,
McArthur Drive,
Tabuc Suba, Jaro, Iloilo City
Phone:(033) 320-3493; 320-3497

Kalibo
Roxas Avenue, Poblacion,
Kalibo City, Aklan
Phone: (036) 268-3538

Lapu-Lapu City
G/F AMCO Bldg., ML Quezon,
National Road, Pajo,
Lapu-Lapu City, Cebu
Phone: (032) 236-3018;

Mandaue
Unit 1-2 Wireless Plaza Bldg.,
H. Cortes Avenue
cor. Hi-way Seno,
Subangdaku, Mandaue City
Phone: (032) 345-2657; 345-1520

Ormoc
No. 333 Real St.,
Barangay District 5,
Ormoc City, Leyte
Phone: (053) 832-3649; 832-3651

Roxas City
G/F SJS Building,
San Roque St. Ext.,
Barangay 8, Roxas City, Capiz
Phone: (036) 522-1980; 620-3470

Tacloban
Zamora St., Tacloban City
Phone: (053) 832-0074; 832-0065;

Tagbilaran
EB Gallares Building,
C. P. Garcia Avenue,
Tagbilaran City, Bohol
Phone: (038) 411-0832;
411-0831

MINDANAO BRANCHES

Butuan
Montilla Boulevard
cor. T. Calo St.,
Butuan City, Agusan Del Norte
Phone: (085) 300-0293

Cagayan de Oro
Lapasan Highway,
corner Camp Alagar,
Cagayan de Oro City
Phone: (088) 880-5280;
880-5281

Cagayan de Oro- Cogon
ALLA Inc. Building, JR Borja St.
(near corner Corrales Ave.)
Barangay 32,
Cagayan De Oro City,
Misamis Oriental
Phone: (088) 880-2989;
880-2990

Davao-Bajada
Aeon Towers, JP Laurel Avenue.,
Bajada, Davao City
Phone: (082) 227-9950; 227-9878;
227-9948

Davao-Buhangin
Km. 7 Tigatto Road, Buhangin,
Davao City
Phone: (082) 282-8082; 282-8112

Davao-C.M. Recto
JRL Building 107 C.M. Recto Ave.,
Brgy. 38-D, Davao City
Phone: (082) 224-3969

Davao-Lanang
Fuji One Building Km. 7, Lanang,
Davao City
Phone: (082) 234-2933; 234-2879

Davao- Panabo
Wharf Road, Barangay Sto. Niño,
Poblacion, Panabo City,
Davao Del Norte
Phone: (084) 629-0060; 628-4005

Sales-Davao
Door 7 & 8 JM Bldg.
Governor Sales St. Davao City
Phone:(082) 222-4951; 222-4281;
224-2597; 222-4452

Davao- Toril
Gaisano Grand Mall Toril
Unit GL 8B & GL9 Saavedra St.,
Toril, Davao City
Phone: (082) 293-9005;
285-9154

Dipolog
No. 331 P. Burgos St.
(near corner Rizal Ave.)
Dipolog City,
Zamboanga Del Norte
Phone: (065) 212-1425

General Santos
GSC SunCity Suites
B-1-03 & B-1-04
National Highway,
Lagao, General Santos City
Phone: (083) 552-0591; 305-9182

General Santos- Santiago Blvd.
Santiago Boulevard,
Barangay Dadiangas South,
General Santos City
Phone: (083) 305-1045; 552-5712;
552-2209

Iligan
Doromal Bldg.,
Quezon Avenue Extension
Barangay Villaverde, Iligan City
Phone: (063) 222-3971; 222-4197
302-0107

Ozamis
G/F Insular Life Building
Don Anselmo Bernad Ave.
(National Highway) cor. Jose
Abad Santos St.
Ozamis City, Misamis Occidental
Phone: (088) 545-0985;
545-0987;

Surigao City
Diez St., Barangay Taft,
Surigao City,
Surigao Del Norte
Phone: (086) 310-2361

Tagum City- Davao
Roxas St. corner Osmeña St.
Tagum City, Davao
Phone: (084) 216-1725; 216-1724

Zamboanga
Wee Agro Building,
Veterans Avenue,
Zamboanga City
Phone: (062) 955-2201; 955-1024;
955-1047; 310-0657

BRANCH-LITE UNITS

Taguig City Branch-Lite Unit
Mother Branch: The Fort
Unit RT5, One Mckinley Place,
4th Avenue,
Bonifacio Global City, Taguig
Phone: (632) 8838-9329

Cebu City Branch-Lite Unit
Mother Branch: Cebu-Escario
4th floor, NIC-2 Bldg.,
Capitol Square,
N. Escario St., Cebu City
Phone : (032) 256-6042

***COMBANK 6**
Phone: (032) 256-6042;
(032) 256-6056;
(032) 256-6051; (032) 256-6002

***CONSUMER**
Phone: (032) 256-5973;
(032) 256-5977

***CAID**
Phone: (032) 256-6048; (032)
2565983

***CAC**
Phone: (032) 256-6053

Pearl Plaza Mall Branch-Lite Unit
Mother Branch: Makati
Annex A Level 2
Pearl Plaza Building,
1331 Quirino Avenue, Tambo,
Parañaque City
Phone: (632) 8351-8755;
7971-7896

Roxas City Branch-Lite Unit
Mother Branch: Roxas City
Transactional
G/F Eperformax Center
Pueblo de Panay Township,
Roxas City, Capiz
Phone: (036) 651-6376

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Philippine Business Bank, Inc**. (the Bank), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the year ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank's or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

JEFFREY S. YAO
Chairman of the Board

ROLANDO R. AVANTE
Vice Chairman, President & CEO

ROLANDO G. ALVENDIA
FVP Controller

Signed this 4th day of April, 2025

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Philippine Business Bank, Inc., A Savings Bank
350 Rizal Avenue Extension corner 8th Avenue
Grace Park, Caloocan City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Philippine Business Bank, Inc., A Savings Bank (the Bank), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2024, and the notes to financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2024 and 2023, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2024 in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the **Auditors' Responsibilities for the Audit of the Financial Statements** section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following are the key audit matters identified in our audit of the financial statements of the Bank:

(a) Expected Credit Loss for Loans and Other Receivables

Description of the Matter

As at December 31, 2024, the Bank's expected credit losses (ECL) allowance for loans and receivables amounted to P6.4 billion while the carrying value of loans and receivables amounted to P128.3 billion. We have determined that the Bank's ECL model is significant to our audit as this:

- requires significant management judgment on the interpretation and implementation of the requirements of PFRS 9, **Financial Instruments**, in assessing impairment losses based on an ECL model that involves segmenting credit risk exposures, defining when does default occur and what constitutes a significant increase in the credit risk (SICR) of different exposures;

- involves a high degree of estimation uncertainty related to management's use of various inputs and assumptions applied in the ECL model such as credit risk rating and flow rates of corporate and consumer loans, expected amount and timing of cash flows, including recovery of collaterals for defaulted accounts, and forward-looking macroeconomic information which may be affected by management estimation bias; and,

- requires complex estimation process that entails implementation of internal controls and use of information system in ensuring the completeness and accuracy of data used in the ECL calculation and in the preparation of required disclosures in the financial statements.

In accordance with its policy, the Bank regularly conducts a review of its ECL model to validate the assumptions used for each parameter used, and to determine accuracy and effectiveness of the ECL methodology in place. In 2024, the Bank designed a specific provisioning policy to identify significant credit exposures that warrant individual assessments for loan loss provisioning. Furthermore, the Bank provided enhancements to the loss-given default (LGD) computation to incorporate the impact of the recovery rates of borrowers based on collateral types. This framework ensures a systematic approach to identifying material credit risks and aligns with the Bank's risk management strategy.

The summary of material accounting policy information and the significant judgment, including estimation applied by management, as those related to the credit risk assessment process of the Bank are disclosed in Notes 2, 3 and 4 to financial statements. The other disclosures related to this matter are presented in Notes 11 and 26.

How the Matter was Addressed in the Audit

We obtained an understanding of the Bank's accounting policies and methodologies applied and we evaluated whether those: (a) are established and implemented consistent with the underlying principles of PFRS 9; (b) are appropriate in the context of the Bank's lending activities and asset portfolio that takes into consideration the different segments of credit exposures and the relevant regulatory framework; and, (c) are supported by pertinent processes and controls, including documentations of the accounting policies that capture in sufficient detail the judgment, including estimation, applied in the development of the ECL model.

We also obtained an understanding of the enhancements made by the Bank with respect to the specific provisioning policy and enhancements in the LGD computation, and evaluated whether (a) any historical and forward-looking information used as inputs are accurate and reliable; and (b) the assumptions used are appropriate and properly reflected the current portfolio and credit practices, supported, documented, and approved.

With respect to the use of significant judgment, including those involving estimation of inputs and assumptions used in the ECL model, we performed the following:

- assessed the Bank's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics based on portfolio flow rates, and evaluated the appropriateness of the model applied for each loan portfolio;

- evaluated both the quantitative and qualitative criteria applied in the definition of default against historical analysis for each segment of loan portfolio and in accordance with credit risk management practices, and tested the criteria in the determination of the SICR, including assignment of a loan or group of loans into different stages of impairment;

- tested loss given default information across various types of loan by inspecting records of historical recoveries and relevant costs, including valuation and cash flows from collateral and write-offs, and further segmented the LGD depending on the stage of the loan and the type of collateral;

- reconciled and tested exposure at default for all outstanding loans against the relevant loan databases; and,

- assessed the appropriateness of the identification of forward-looking information (overlays) used in the ECL model and validated their reasonableness against publicly available information and our understanding of the Bank's loan portfolios and industry where it operates, including review of accuracy of application or formula used for ECL calculation and evaluation of management's selection of macro-economic factors, scenarios and probability weightings.

As part of our audit of the ECL methodology, we tested the completeness and accuracy of the data used in the ECL model through reconciliation of loan data subjected to the ECL calculations, which were prepared by management outside its general ledger system, against the relevant financial reporting applications and other accounting records. Moreover, we tested the stratification of loan data that were disaggregated into various portfolio segments for purposes of ECL calculations. Furthermore, we tested the mathematical formula and the computation logics applied in the calculation of the different inputs in the ECL model and the estimation of the credit losses for all loans and other receivables subjected to impairment assessment.

We also evaluated the completeness and appropriateness of the disclosures in the financial statements based on the requirements of the relevant financial reporting standards.

(b) Assessment of Goodwill and Branch Licenses Impairment

Description of the Matter

Under Philippine Accounting Standard 36, **Impairment of Assets**, the Bank is required to annually test the carrying amounts of its goodwill and branch licenses for impairment. As at December 31, 2024, goodwill amounted to P121.9 million, while the branch licenses amounted to P250.8 million. We identified this area as a key audit matter because the annual impairment test requires significant judgment and is based on assumptions, which are internally developed or projected by management. This includes identification of cash generating units (CGUs) where the goodwill and branch licenses are allocated and the future cash flows of the identified CGUs, which are significantly affected by higher level of estimation uncertainty. The significant assumptions include the determination of the discount rate, growth rate and cash flow projections used in determining the value-in-use and the CGUs over which the goodwill and branch licenses were allocated. The Bank engaged a third-party valuation specialist to assist in determining the recoverable amount of goodwill and branch licenses. Management's significant assumptions include:

- the CGU will have sufficient financial resources to finance its working capital requirements to achieve its projected forecast and to support the business needs; and,
- the CGU's performance forecast for the next five years.

The Bank's accounting policy on impairment of and disclosures about goodwill and branch licenses are included in Notes 2 and 14, respectively, to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the goodwill and branch licenses included, among others, the following:

- engaged our Firm specialist to assist in evaluating the appropriateness of methodologies and assumptions used in determining the recoverability of goodwill and branch licenses;
- assessed the competence, objectivity, and capabilities of the third-party valuation specialist engaged by the Bank in considering their qualifications, experience and reporting responsibilities;
- evaluated the appropriateness and reasonableness of methodology and assumptions used in determining the value-in-use of CGUs attributable to the branch licenses and goodwill, which include the discount rate, growth rate and the cash flow projections, by comparing them to external and historical data, with assistance from our Firm's valuation specialists;
- tested the calculation of valuation model for mathematical accuracy and validating the appropriateness and reliability of inputs and amounts used;
- evaluated the adequacy of the financial statement disclosures relating to goodwill, branch licenses and impairment, including disclosure of key assumptions and judgments; and,
- compared the discount rate and long-term growth rate used against the industry and market outlook and other relevant consensus data.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Bank's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2024 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the years ended December 31, 2024 and 2023 required by the Bangko Sentral ng Pilipinas, and for the year ended December 31, 2024 required by the Bureau of Internal Revenue as disclosed in Notes 29 and 30 to the financial statements, respectively, are presented for purposes of additional analysis and are not required parts of the basic financial statements prepared in accordance with PFRS Accounting Standards; it is neither a required disclosure under the Revised Securities Regulations Code Rule 68. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Maria Isabel E. Comedia**
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 10465901, January 2, 2025, Makati City
BIR AN 08-002511-021-2022 (until October 13, 2025)
BOA/PRC Cert. of Reg. No. 0002/P-005 (until August 12, 2027)

April 2, 2025

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
RESOURCES			
CASH AND OTHER CASH ITEMS	9	**P1,177,794,637**	P1,316,780,680
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	**2,881,093,706**	4,498,604,149
DUE FROM OTHER BANKS	9	**4,056,453,936**	4,170,280,397
TRADING AND INVESTMENT SECURITIES – Net	10		
At fair value through profit or loss (FVTPL)		**10,173,768,625**	6,782,337,118
At fair value through other comprehensive income (FVOCI)		**14,326,399,293**	13,765,424,913
At amortized cost – net		**1,270,349,150**	1,501,256,354
LOANS AND OTHER RECEIVABLES – Net	11	**128,272,138,050**	117,563,935,794
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – Net	12	**982,155,540**	874,738,714
INVESTMENT PROPERTIES – Net	13	**2,027,410,429**	1,415,433,957
DEFERRED TAX ASSETS – Net	23	**1,766,272,966**	1,612,742,372
OTHER RESOURCES – Net	14	**1,057,829,169**	912,920,356
TOTAL RESOURCES		**P167,991,665,501**	P154,414,454,804
LIABILITIES AND EQUITY			
DEPOSIT LIABILITIES	15		
Demand		**P53,996,093,517**	P52,749,203,605
Savings		**15,048,843,349**	15,567,082,699
Time		**70,049,342,004**	58,402,429,713
		139,094,278,870	126,718,716,017
BILLS PAYABLE	16	**4,562,500,000**	4,750,000,000
ACCRUED EXPENSES AND OTHER LIABILITIES	17	**4,974,394,742**	4,931,275,495
Total Liabilities		**148,631,173,612**	136,399,991,512
EQUITY	19		
Capital stock		**8,807,500,940**	8,807,500,940
Additional paid-in capital		**1,998,396,816**	1,998,396,816
Surplus		**9,684,114,497**	8,310,081,418
Revaluation reserves		**(1,129,520,364)**	(1,101,515,882)
Total Equity		**19,360,491,889**	18,014,463,292
TOTAL LIABILITIES AND EQUITY		**P167,991,665,501**	P154,414,454,804

See Notes to Financial Statements.

STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2024	2023	2022
INTEREST INCOME				
Loans and other receivables	11	**P9,252,636,712**	P8,161,932,274	P5,724,208,657
Trading and investment securities	10	**1,202,930,338**	812,008,890	637,292,253
Due from Bangko Sentral ng Pilipinas and other banks	9	**176,556,888**	321,659,656	218,049,115
		10,632,123,938	9,295,600,820	6,579,550,025
INTEREST EXPENSE				
Deposit liabilities	15	**3,646,924,317**	2,739,792,966	976,041,438
Bills payable	16	**283,600,733**	108,993,662	25,239,713
Corporate notes payable		**-**	-	6,436,301
Others	17, 21	**37,136,199**	25,420,466	24,461,998
		3,967,661,249	2,874,207,094	1,032,179,450
NET INTEREST INCOME		**6,664,462,689**	6,421,393,726	5,547,370,575
IMPAIRMENT LOSSES – Net	26	**958,395,769**	1,053,438,713	820,614,023
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**5,706,066,920**	5,367,955,013	4,726,756,552
OTHER INCOME				
Service charges, fees and commissions		**307,411,761**	260,798,581	727,958,296
Trading gains – net	10	**-**	287,760,989	-
Miscellaneous – net	20	**541,745,762**	431,988,496	218,226,956
		849,157,523	980,548,066	946,185,252
OTHER EXPENSES				
Salaries and other employee benefits	21	**1,345,186,350**	1,359,006,364	1,183,429,591
Taxes and licenses		**1,004,330,612**	933,663,221	647,080,896
Depreciation and amortization	12, 13, 14	**374,786,645**	356,278,872	328,281,618
Insurance		**315,863,791**	289,856,031	265,391,425
Occupancy	17	**308,400,315**	263,276,118	260,086,593
Management and other professional fees		**180,908,469**	241,031,012	192,763,571
Representation and entertainment		**65,042,602**	61,859,614	38,811,450
Trading losses – net	10	**87,575,241**	-	402,252,951
Miscellaneous	20	**477,033,485**	504,180,233	492,364,173
		4,159,127,510	4,009,151,465	3,810,462,268
PROFIT BEFORE TAX		**2,396,096,933**	2,339,351,614	1,862,479,536
TAX EXPENSE	23	**614,026,312**	515,334,634	551,030,042
NET PROFIT		**P1,782,070,621**	P1,824,016,980	P1,311,449,494
EARNINGS PER SHARE				
Basic and Diluted	27	**P2.13**	P2.23	P1.85

See Notes to Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2024	2023	2022
NET PROFIT		**P1,782,070,621**	P1,824,016,980	P1,311,449,494
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Gain (loss) on remeasurements of post-employment defined benefit plan	21	**(6,715,998)**	(39,540,266)	24,960,375
Tax income (expense)	23	**1,679,000**	9,885,067	(6,240,093)
		(5,036,998)	(29,655,199)	18,720,282
Items that will be reclassified subsequently to profit or loss				
Fair value gains (losses) on investment securities at FVOCI during the year – net	10, 19	**(6,099,697)**	539,514,930	(1,404,660,931)
Expected credit losses for FVOCI securities	10, 19	**(16,867,787)**	(6,074,143)	(6,564,187)
Fair value losses (gains) reclassified to profit or loss during the year – net	10, 19	**-**	(1,009,332)	607,336
		(22,967,484)	532,431,455	(1,410,617,782)
		(28,004,482)	502,776,256	(1,391,897,500)
TOTAL COMPREHENSIVE INCOME (LOSS)		**P1,754,066,139**	P2,326,793,236	(P80,448,006)

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	Capital Stock (see Note 19) Preferred Stock	Common Stock	Total	Additional Paid-in Capital (see Note 19)	Deposit on Future Stock Subscription (see Note 19)
Balance as at January 1, 2024		P620,000,000	P8,187,500,940	P8,807,500,940	P1,998,396,816	-
Cash dividends declared during the year	21	-	-	-	-	-
Appropriation during the year	21,27	-	-	-	-	-
Total comprehensive income (loss) during the year		-	-	-	-	-
Balance as at Dec 31, 2024		**P620,000,000**	**P8,187,500,940**	**P8,807,500,940**	**P1,998,396,816**	**-**
Balance as at January 1, 2023		P620,000,000	P6,437,500,940	P7,057,500,940	P1,998,396,816	P312,500,000
Issuance of shares of stock	21	-	1,750,000,000	1,750,000,000	-	(312,500,000)
Cash dividends declared during the year	21	-	-	-	-	-
Appropriation during the year	21,27	-	-	-	-	-
Total comprehensive income during the year		-	-	-	-	-
Balance as at December 31, 2023		P620,000,000	P8,187,500,940	P8,807,500,940	P1,998,396,816	-
Balance as at January 1, 2022		P620,000,000	P6,437,500,940	P7,057,500,940	P1,998,396,816	-
Deposit on future stock subscription	21	-	-	-	-	312,500,000
Dividends during the year	21	-	-	-	-	-
Appropriation during the year	21,27	-	-	-	-	-
Total comprehensive income (loss) during the year		-	-	-	-	-
Balance as at December 31, 2022		P620,000,000	P6,437,500,940	P7,057,500,940	P1,998,396,816	P312,500,000

Surplus (see Note 19)			Value Losses on Investment Securities at AFS	Value Gains (Losses) on Investment Securities at FVOCI	Accumulated Actuarial Losses	Revaluation Reserves (see Note 19)	Total Equity
Appropriated	Unappropriated	Total					
P829,350,345	P7,480,731,073	P8,310,081,418	-	(P1,003,581,753)	(P97,934,129)	(P1,101,515,882)	P18,014,463,292
-	(408,037,542)	(408,037,542)		-	-	-	(408,037,542)
175,857,114	(175,857,114)	-	-	-	-	-	-
-	1,782,070,621	1,782,070,621	-	(22,967,484)	(5,036,998)	(28,004,482)	1,754,066,139
P1,005,207,459	**P8,678,907,038**	**P9,684,114,497**	**-**	**(P1,026,549,237)**	**(P102,971,127)**	**(P1,129,520,364)**	**P19,360,491,889**
P733,615,810	P6,078,611,161	P6,812,226,971	-	(P1,536,013,208)	(P68,278,930)	(P1,604,292,138)	P14,576,332,589
-	-	-		-	-	-	1,437,500,000
-	(326,162,533)	(326,162,533)		-	-	-	(326,162,533)
95,734,535	(95,734,535)	-	-	-	-	-	-
-	1,824,016,980	1,824,016,980	-	532,431,455	(29,655,199)	502,776,256	2,326,793,236
P829,350,345	P7,480,731,073	P8,310,081,418	-	(P1,003,581,753)	(P97,934,129)	(P1,101,515,882)	P18,014,463,292
P374,242,445	P5,245,335,032	P5,619,577,477	-	(P125,395,426)	(P86,999,212)	(P212,394,638)	P14,463,080,595
-	-	-		-	-	-	312,500,000
-	(118,800,000)	(118,800,000)		-	-	-	(118,800,000)
359,373,365	(359,373,365)	-	-	-	-	-	-
-	1,311,449,494	1,311,449,494	-	(1,410,617,782)	18,720,282	(1,391,897,500)	(80,448,006)
P733,615,810	P6,078,611,161	P6,812,226,971	-	(P1,536,013,208)	(P68,278,930)	(P1,604,292,138)	P14,576,332,589

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P2,396,096,933**	P2,339,351,614	P1,862,479,536
Adjustments for:				
Interest income	9, 10, 11	**(10,632,123,938)**	(9,295,600,820)	(6,579,550,025)
Interest received		**10,521,192,239**	9,443,572,978	6,506,710,185
Interest paid		**(4,684,337,784)**	(2,653,757,330)	(1,057,649,309)
Interest expense	15, 16, 17, 21	**3,967,661,249**	2,874,207,094	1,032,179,450
Impairment losses - net	28	**958,395,769**	1,053,438,713	820,614,023
Depreciation and amortization	12, 13, 14	**374,786,645**	356,278,872	328,281,618
Unrealized foreign currency revaluation on investment securities at FVOCI	10	**(93,231,689)**	33,093,390	(197,693,919)
Amortization of premium (discount) on investments	10	**8,323,656**	(25,152,338)	34,254,035
Loss (gain) on sale of properties - net	13, 14, 20	**(5,672,122)**	(84,609,969)	16,616,368
Loss (gain) on redemptions of investment securities at FVOCI	10	**-**	(1,009,332)	607,336
Amortization of bond issue cost	17, 28	**-**	-	4,647,360
Operating profit before working capital changes		**2,811,090,958**	4,039,812,872	2,771,496,658
Decrease (increase) in financial assets at FVPL		**(3,391,431,507)**	(4,560,316,079)	260,191,981
Increase in loans and other receivables		**(16,211,038,997)**	(13,053,861,232)	(13,764,592,500)
Decrease (increase) in investment properties		**18,335,900**	310,288,098	159,582,664
Decrease (increase) in other resources		**(33,063,134)**	(90,297,326)	169,998,841
Increase in deposit liabilities		**13,092,239,388**	11,975,375,979	2,137,775,005
Increase (decrease) in accrued expenses and other liabilities		**(18,648,763)**	714,425,421	1,391,400,170
Cash used in operations		**(3,732,516,155)**	(664,572,267)	(6,874,147,181)
Cash paid for income taxes		**(800,154,754)**	(618,833,051)	(458,868,496)
Net Cash Used in Operating Activities		**(4,532,670,909)**	(1,283,405,318)	(7,333,015,677)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of investment securities at FVOCI	10	**(1,555,351,731)**	(2,795,028,683)	(296,476,107)
Proceeds from sale, redemptions, and maturities of investment securities at FVOCI	10	**1,031,380,000**	325,000,000	199,392,664
Proceeds from maturities of investment securities at amortized cost	10	**503,687,237**	547,450,082	292,032,610
Acquisitions of investment securities at amortized cost	10	**(230,974,346)**	(869,329,792)	(520,953,694)
Acquisitions of bank premises, furniture, fixtures and equipment	12	**(115,047,247)**	(150,345,608)	(95,732,812)
Acquisition of software licenses	14	**(71,545,866)**	(21,833,298)	(16,418,729)
Proceeds from sale of bank premises, furniture, fixtures and equipment	12	**8,006,521**	22,992,917	9,684,420
Net Cash Used in Investing Activities		**(429,845,432)**	(2,941,094,382)	(428,471,648)

	Notes	2024	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of bills payable	16, 28	**(26,050,000,000)**	(1,250,000,000)	(500,000,000)
Proceeds from bills payable	16, 28	**25,862,500,000**	4,500,000,000	2,000,000,000
Payment of cash dividends	20	**(408,037,542)**	(326,162,533)	(118,800,000)
Payment of lease liabilities	17, 28	**(175,615,511)**	(165,946,559)	(145,630,698)
Proceeds from issuance of capital stock	19	**-**	1,437,500,000	-
Repayments of corporate notes payable	17, 28	**-**	-	(3,000,000,000)
Proceeds from deposit on future stock subscription	19	**-**	-	312,500,000
Net Cash From (Used in) Financing Activities		**(771,153,053)**	4,195,390,908	(1,451,930,698)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(5,733,669,394)**	(29,108,792)	(9,213,418,023)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR				
Cash and other cash items	9	**1,316,780,680**	1,247,987,230	1,430,787,675
Due from Bangko Sentral ng Pilipinas	9	**4,498,604,149**	6,102,228,578	16,754,028,342
Due from other banks	9	**4,170,280,397**	5,215,663,162	3,474,970,323
Securities under reverse repurchase agreement	9, 11	**4,992,596,914**	2,394,635,343	2,538,411,628
Foreign currency notes and coins on hand	9, 14	**68,818,715**	115,675,334	91,409,702
		15,047,080,855	15,076,189,647	24,289,607,670
CASH AND CASH EQUIVALENTS AT END OF THE YEAR				
Cash and other cash items	9	**1,177,794,637**	1,316,780,680	1,247,987,230
Due from Bangko Sentral ng Pilipinas	9	**2,881,093,706**	4,498,604,149	6,102,228,578
Due from other banks	9	**4,056,453,936**	4,170,280,397	5,215,663,162
Interbank loans receivable	9, 11	**615,690,000**	-	-
Securities purchased under reverse repurchase agreement	9, 11	**500,000,000**	4,992,596,914	2,394,635,343
Foreign currency notes and coins on hand	9, 14	**82,379,182**	68,818,715	115,675,334
		P9,313,411,461	P15,047,080,855	P15,076,189,647

Supplemental note details of non-cash transactions are presented in Note 28.

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos or As Otherwise Indicated)

1. CORPORATE MATTERS

1.1 Incorporation and Operations

Philippine Business Bank, Inc., A Savings Bank (the Bank or PBB) was incorporated in the Philippines on January 28, 1997 to engage in the business of thrift banking. It was authorized to engage in foreign currency deposit operations on August 27, 1997, and in trust operations on November 13, 2003. The Bank is a publicly listed entity in the Philippine Stock Exchange (PSE). It had its initial public offering (IPO) of shares on February 13, 2013 (see Note 19.1).

As a banking institution, the Bank's operations are regulated and supervised by the Bangko Sentral ng Pilipinas (BSP). In this regard, the Bank is required to comply with rules and regulations of the BSP such as those relating to maintenance of reserve requirements on deposit liabilities, and those relating to adoption and use of safe and sound banking practices, among others, as promulgated by the BSP. Its activities are subject to the provisions of the General Banking Law of 2000 [Republic Act (RA) No. 8791] and other relevant laws.

PBB is the first savings bank in the Philippines that obtained the BSP approval to issue foreign letters of credit and pay/accept/negotiate import/export drafts/bills of exchange under RA Nos. 8791 and 7906 and the Manual of Regulations for Banks. It was granted in April 2010.

The Bank operates in the Philippines, and as of December 31, 2024 and 2023, it has 158 and 157 branches located nationwide.

The Bank's registered office address, which is also the address of its principal place of business is 350 Rizal Avenue Extension corner 8th Avenue, Grace Park, Caloocan City.

1.2 Approval of the Financial Statements

The financial statements of the Bank as of and for the year ended December 31, 2024 (including the comparative financial statements as of December 31, 2023 and for the years ended December 31, 2023 and 2022) were authorized for issue by the Bank's Board of Directors (BOD) on April 2, 2025.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information that has been used in the preparation of these financial statements is summarized in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards). PFRS Accounting Standards are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC), from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS Accounting Standards for each type of resource, liability, income, and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Bank presents a statement of comprehensive income separate from the statement of profit or loss.

The Bank presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Bank's functional and presentation currency, and all values represent absolute amounts, except when otherwise indicated.

Items included in the financial statements of the Bank are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Bank operates. The financial statements of the Bank's foreign currency deposit unit (FCDU), which is reported in United States (US) dollar, are translated to Philippine peso based on Bankers Association of the Philippine (BAP) closing rate prevailing at the end of reporting period for the statement of financial position accounts and at BAP weighted average rate for the period for the profit and loss.

2.2 *Adoption of Amended Standards*

(a) *Effective in 2024 that are Relevant to the Bank*

The Bank adopted for the first time the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2024:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, and Non-current liabilities with Covenants
PAS 7 and PFRS 7 (Amendments)	:	Statement of Cash Flow, and Financial Instruments: Disclosures – Supplier Finance Arrangements
PFRS 16 (Amendments)	:	Leases – Lease Liability in a Sale and Leaseback

Discussed below is the relevant information about these pronouncements.

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current.* The amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendment s had no significant impact on the Bank's financial statements.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants.* The amendment specify that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For non-current liabilities subject to conditions, an entity is required to disclose the information about the conditions, whether the entity would comply with the conditions based on its circumstances at the reporting date and whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested. The application of these amendments had no significant impact on the Bank's financial statements.

(iii) PAS 7 and PFRS 7 (Amendments), *Statement of Cash Flows, Financial Instruments.* The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangement as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The application of these amendments had no significant impact on the Bank's financial statements.

(iv) PFRS 16, *Leases – Lease Liability in a Sale and Leaseback*. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it did not recognize any amount of gain or loss that relates to the right of use it retains. The application of these amendments had no significant impact on the Bank's financial statements.

(b) Effective Subsequent to 2024 but not Adopted Early

There are pronouncements effective for annual periods subsequent to 2024, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have a significant impact on the Bank's financial statements:

(i) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)

(ii) PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)

(iii) PFRS 18, *Presentation and Disclosures in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statement and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.

2.3 Financial Instruments

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized on their settlement date (i.e., the date that the Bank commits to purchase or sell the asset).

(a) Financial Assets

(i) Classification, Measurement and Reclassification of Financial Assets

The Bank's financial assets include financial assets at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL).

Financial Assets at Amortized Cost

Where the business model is to hold assets to collect contractual cash flows, the Bank assesses whether the financial instruments' cash flows represent amount that are solely payment of principal and interest (SPPI). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement [see Note 3.1(b)]. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Bank's financial assets at amortized cost are presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Investment Securities at Amortized Cost, Loans and Other Receivables (including Interbank Loans Receivables), and Other Resources in respect of security deposits and foreign currency notes and coins on hand which are included in the account.

For purposes of cash flows reporting and presentation, cash and cash equivalents include cash and other cash items, due from BSP and other banks, foreign currency notes and coins on hand and securities under reverse repurchase agreement (SPURRA) with maturities of three months or less from placement date.

Financial Assets at Fair Value Through Other Comprehensive Income

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Bank for trading or as mandatorily required to be classified as FVTPL. The Bank has not made irrevocable designation of equity instruments as of December 31, 2024 and 2023.

Financial Assets at Fair Value Through Profit or Loss

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. The Bank's financial assets at FVTPL include debt securities which are held for trading purposes or designated as at FVTPL.

The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

(ii) Effective Interest Rate Method and Interest Income

Interest income on financial assets measured at amortized cost and all interest-bearing debt financial assets classified as at FVTPL, or at FVOCI, is recognized using the effective interest rate method. The effective interest rate is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of an effective interest rate. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument; hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset with an increase or reduction in interest income. The Bank calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

(iii) Impairment of Financial Assets

The Bank assesses its expected credit loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI and other contingent accounts. The Bank considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following financial instruments which are measured as 12-month ECL:

- all current loan accounts, except restructured loans;
- debt securities that are identified to have ‘low credit risk’ at the reporting date; and,
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

For these financial instruments, the allowance for credit losses is based on 12-month ECL associated with the probability of default of a financial instrument in the next 12 months (referred to as 'Stage 1' financial instruments). Should there be a significant increase in credit risk subsequent to the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as 'Stage 2' financial instruments).

'Stage 2' financial instruments also include the following characteristics:

- performing accounts but with occurrence of loss event;
- accounts with missed payments but not yet classified as defaulted;
- current restructured loans; and,
- current loans that are rated as Watchlist based on the Internal Credit Risk Rating System (ICRRS) of the Bank.

A lifetime ECL shall be recognized for 'Stage 3' financial instruments, which include financial assets considered as credit-impaired, purchased or originated credit-impaired assets, and those classified as Past Due, and Items in Litigation based on the ECL methodology of the Bank.

The Bank's definition of credit risk and information on how credit risk is mitigated by the Bank are disclosed in Note 4.3.

Measurement of ECL

The Bank calculates ECL either on an individual or a collective basis. For modelling ECL parameters which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as but not limited to instrument type, credit risk rating, collateral type, product type, historical net charge-offs, industry type, and geographical locations of the borrowers or counterparties.

The Bank applies a simplified ECL approach for its loans and other receivables wherein the Bank uses a provision matrix that considers historical changes in the behavior of the portfolio of credit exposures based on internally collected data to predict conditions over the span of a given observation period. These receivables include claims from various counterparties, which do not originate through the Bank's lending activities. For these instruments, the Bank measures the loss allowance at an amount equal to lifetime ECL.

Where a financial instrument includes a drawn and undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn commitment; the Bank presents a combined ECL for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as provisions.

(iv) Derecognition of Financial Assets – Modification of Loans

When the Bank renegotiates or otherwise modifies the contractual cash flows of loans to customers, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank considers, among others:

- if the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- whether any substantial new terms are introduced that will affect the risk profile of the loan;
- significant extension of the loan term when the borrower is not in financial difficulty;
- significant change in the interest rate;
- change in the currency the loan is denominated in; and/or,
- insertion of collateral, other security or credit enhancements that will significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognizes the financial asset and recognizes a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognized in profit or loss as either gain or loss on derecognition of financial assets.

As to the impact on ECL measurement, the expected fair value of the "new" asset is treated as the final cash flow from the existing financial asset at the date of derecognition. Such amount is included in the calculation of cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss.

(b) Financial Liabilities

Financial liabilities include deposit liabilities, bills payable, corporate notes payable and accrued expenses and other liabilities (excluding tax-related payables and post-employment benefit obligation).

2.4 Derivative Financial Instruments

The Bank uses derivative financial instruments, particularly plain vanilla foreign exchange forwards, to manage its risks associated with fluctuations in foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive (recognized as part of Investment securities at FVTPL under the Trading and Investment Securities account) and as liabilities (recognized under the Accrued Expenses and Other Liabilities account) when the fair value is negative.

The Bank's derivative instruments provide economic hedges under the Bank's policies but are not designated as accounting hedges.

2.5 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less impairment losses, if any. Bank premises, furniture, fixtures and equipment are carried at acquisition cost less accumulated depreciation and amortization and any impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Furniture, fixtures and equipment	5 to 7 years
Transportation equipment	5 years

Leasehold improvements are amortized using the estimated useful lives of four months to 13 years or the remaining term of the lease whichever is shorter.

2.6 Investment Properties

Investment properties pertain to land, buildings or condominium units acquired by the Bank, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment. These properties are neither held by the Bank for sale in the next 12 months nor used in the rendering of services or for administrative purposes.

Investment properties are stated at cost, less accumulated depreciation, and any impairment losses (see Note 2.12).

Investment properties, except land, are depreciated over a period of 5 to 10 years. Depreciation and impairment loss are recognized in the same manner as in bank premises, furniture, fixtures and equipment (see Note 2.5).

2.7 Intangible Assets

Intangible assets include goodwill, branch licenses, club shares and computer software, which are included as part of Other Resources account and are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of its acquisition.

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets and branch licenses acquired at the date of acquisition. Branch licenses represent the rights given by the BSP to the Bank to establish a certain number of branches in various areas in the country.

Goodwill, branch licenses and club shares are classified as intangible assets with indefinite useful life, and thus, not subject to amortization but to an annual test for impairment (see Note 2.12). For purposes of impairment testing, goodwill is allocated to cash-generating units and is subsequently carried at cost less any allowance for impairment losses while branch licenses are tested for impairment individually based on recoverable amount (see Notes 14.2 and 14.3). For club shares, impairment loss is recognized when the fair value of the shares as of the reporting period is lower than the carrying amount.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of five years. In addition, intangible assets are subject to impairment testing when indications exist, as described in Note 2.12. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

2.8 Other Acquired Assets

Other acquired assets pertain to chattel properties acquired through repossession or dacion in payment from defaulting borrowers. These are stated at cost less accumulated depreciation and any impairment in value. Depreciation of other acquired assets is computed on a straight-line basis over the estimated useful life of three years. The carrying value of other acquired assets is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.12).

2.9 Deposits on Future Stock Subscriptions

Deposits on future stock subscription represent the amount of money received from the principal shareholders as deposits on the subscriptions relative to the Bank's application for increase in Authorized Capital Stock (ACS). Based on the requirements of the Securities and Exchange Commission (SEC), the Bank recognizes deposits for future stock subscriptions as part of equity if all of the following criteria are met as at the end of the reporting period:

(a) lack or insufficiency of authorized unissued shares of stock to cover for the deposit;

(b) approval by the Bank's BOD and stockholders for the increase in ACS to cover the shares corresponding to the amount of the deposit; and,

(c) application for the approval of the increase in ACS has been filed with the SEC.

If any of the foregoing criteria is not met at the end of the reporting period, the deposit for future stock subscription is recognized as a liability.

2.10 Other Income and Expense Recognition

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15, *Revenue from Contracts with Customers*. In such a case, the Bank applies PFRS 9 first to separate and measure the part of the contract that is covered by PFRS 9, and then applies PFRS 15 to the residual part of the contract. Expenses and costs, if any, are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. All finance costs are reported in profit or loss on accrual basis.

The Bank assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or agent. The Bank concluded that it is acting as a principal in all its revenue arrangements.

For other income arising from these various banking services, which are to be accounted for under PFRS 15, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

a. *Service charges, fees, and commissions* – Service charges, fees and commissions are generally recognized when the service has been provided or after fulfilling the corresponding criteria. These include the commissions, deposit-related fees and other credit-related fees.

b. *Asset management services* – The Bank provides asset management services, which include trust and fiduciary activities. Related fees are recognized in profit or loss as follows:

   (i) *Asset management and trust fees* – These are service fees calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on the scheduled collection date. Revenue from asset management services is recognized over time as the services are provided.

   (ii) *Non-refundable upfront fees* – These are charged to customers when opening certain types of trust account with the Bank. These fees give rise to material rights for future services and are recognized as revenue over the period for which a customer is expected to continue receiving asset management services.

For other income outside the scope of PFRS 15, the following provides information about the nature and the related revenue recognition policies:

a. *Trading and securities gains (losses)* – These are recognized when the ownership of the securities is transferred to the buyer and is computed as the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains and losses as a result of the mark-to-market valuation of investment securities classified as FVTPL.

b. *Gain or loss from assets sold or exchanged* – Income or loss from assets sold or exchanged is recognized when the title to the properties is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is included in profit or loss as part of Miscellaneous Income or Miscellaneous Expenses in the statement of profit or loss.

c. *Recovery on charged-off assets* – Income arising from collections on accounts or recoveries from impairment of items previously written off are recognized in the year of recovery. This is included in the statement profit or loss as part of Miscellaneous Income.

2.11 Leases – Bank as a Lessee

Subsequent to the initial recognition, the Bank amortizes the right-of-use asset on a straight-line basis from the lease commencement date over the useful life of the right-of-use asset or the term of the lease, whichever is shorter. The Bank also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.12).

The Bank has elected to account for any short-term leases (less than 12 months) using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the lease payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The corresponding right-of-use assets and lease liabilities are presented as part of Bank Premises, Furniture, Fixtures and Equipment, and Accrued Expenses and Other Liabilities, respectively, in the statements of financial position.

2.12 Impairment of Non-financial Assets

The Bank's premises, furniture, fixtures, and equipment (including right-of-use assets), investment properties, and other resources (including branch licenses, goodwill, club shares, computer software and other acquired assets) and other non-financial assets are subject to impairment testing.

Intangible assets with an indefinite useful life, such as goodwill and branch licenses or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.13 Employee Benefits

The Bank provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, and other employee benefits.

The Bank's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, non-contributory, and administered by a trustee. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

A defined contribution plan is a post-employment plan under which the Bank pays fixed contributions into an independent entity (e.g., Social Security System and PhilHealth). The Bank has no legal or constructive obligation to pay further contributions after payment of the fixed contribution.

Short-term employee benefits include salaries, wages, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the reporting period during which an employee services are rendered but does not include termination benefits.

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Bank recognizes a liability and an expense for employee bonuses, based on a formula that is fixed regardless of the Bank's income after certain adjustments and does not take into consideration the profit attributable to the Bank's shareholders. The Bank recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Accrued Expenses and Other Liabilities account in the statements of financial position at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Bank's financial statements in accordance with PFRS Accounting Standards requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates. Unless specifically indicated to apply to either year, the policies that follow apply to both years.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Bank's accounting policies, management has made the judgments presented in the succeeding page, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

(a) Application of ECL to Financial Assets at FVOCI and Amortized Cost

The Bank uses external benchmarking and historical loss rates to calculate ECL for all debt instruments carried at FVOCI and amortized cost as well as loan commitments, if any. The allowance for impairment is based on the ECLs associated with the probability of default (PD) of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized. This is where significant management judgment is required.

The Bank has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has significantly increased since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument (see Note 4.3).

(b) Evaluation of Business Model Applied and Testing the Cash Flow Characteristics of Financial Assets in Managing Financial Instruments

The Bank manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely its core deposit funding arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

The Bank developed business models which reflect how it manages its portfolio of financial instruments. These business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Bank evaluates in which business model a financial instrument, or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Bank's investment, trading, and lending strategies. Furthermore, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding.

The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion.

The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

If more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, the Bank assesses whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, it considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's investment objective for the business model. There is no disposal of financial assets at amortized cost in 2024 and 2023.

(c) Distinction Between Investment Properties or Other Acquired Assets and Owner-occupied Properties

The Bank determines whether a property qualifies as investment property. In making this judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to properties but also to other assets used in the production or supply process.

The Bank classifies its acquired properties (foreclosed properties) as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as other acquired assets presented under Other Resources, if the Bank expects that the properties, which are other than land and building, will be recovered through sale rather than use, and as Investment Properties if the Bank intends to hold the properties, which could be land and/or building, to earn rental or for capital appreciation.

Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Bank considers each property separately in making its judgment.

(d) *Determination of Branch Licenses Having Indefinite Useful Lives*

The Bank's branch licenses were regarded as having an indefinite useful life considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Bank. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

(e) *Determination of Lease Term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Bank did not include renewal options as part of the lease term of as the terms are renewable upon mutual agreement.

The lease term is reassessed if an option is actually exercised or not exercised, or the Bank becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Bank.

(f) *Recognition of Provisions and Contingencies*

Provisions are recognized when present obligations will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. Similarly, possible outflows of economic benefits to the Bank that do not meet the recognition criteria of a liability are considered contingent liabilities, hence, are not recognized in the financial statements.

Judgment is exercised by management to distinguish the difference between provisions and contingencies. Relevant disclosures are presented in Note 24. In dealing with the Bank's various legal proceedings, its estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Bank's internal and outside counsels acting in defense for the Bank's legal cases and are based upon the analysis of probable results.

Although the Bank does not believe that its dealing on these proceedings will have material adverse effect on the Bank's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimation of Allowance for ECL

The measurement of the allowance for ECL on debt financial assets at amortized cost and at FVOCI is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.3.

The carrying value of investments in debt securities at amortized cost and at FVOCI, and loans and other receivables together with the analysis of the allowance for impairment on such financial assets, are shown in Notes 10 and 11, respectively.

(b) Fair Value Measurement for Financial Assets at FVTPL and at FVOCI

The Bank carries certain financial assets at fair value which requires judgment and extensive use of accounting estimates. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another financial instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument or other more appropriated valuation techniques (see Note 7.2).

The amount of changes in fair value would differ if the Bank had utilized different valuation methods and assumptions. Any change in the fair value of the financial assets and financial liabilities would affect profit or loss or other comprehensive income.

The fair value of derivative financial instruments that are not quoted in an active market is determined through valuation techniques using the net present value computation (see Note 7.2). There is no outstanding derivatives as of December 31, 2024.

The carrying values of the Bank's trading and investment securities and the amounts of fair value changes recognized on those financial assets are disclosed in Note 10.

(c) Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Right-of-use Assets, Investment Properties, Computer Software, Club Shares, Other Acquired Assets, Goodwill, and Branch Licenses

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties, computer software, club shares and other acquired assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The Bank's goodwill, branch licenses and club shares are regarded as having an indefinite useful life considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Bank. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

The carrying amounts of bank premises, furniture, fixtures and equipment (including right-of-use assets), investment properties, computer software and other acquired assets are analyzed in Notes 12, 13 and 14, respectively, while the carrying amounts of goodwill and branch licenses are analyzed in Note 14. Based on management's assessment as of December 31, 2024 and 2023, there are no changes in the useful lives of these assets.

Actual results, however, may vary due to changes in estimates brought about by changes in the factors mentioned above.

(d) Determination of Timing of Satisfaction of Performance Obligation

The Bank determines that its revenues from services for loan administration and account management shall be recognized over time while all other revenue streams are recognized at point in time. In making its judgment, the Bank considers the timing of receipt and consumption of benefits provided to the customers. As the work is performed, the Bank becomes entitled to payments. This demonstrates that the customers simultaneously receive and consume the benefits of rendering of these retail and corporate banking services as it performs.

In determining the best method of measuring the progress of the Bank's rendering of aforementioned services, the management considers the output method, which uses direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised as basis in recognizing revenues. Such measurements include results of performance completed to date and time elapsed.

(e) Determination of Realizable Amount of Deferred Tax Assets

The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying value of deferred tax assets, which management has assessed to be fully recoverable as of December 31, 2024 and 2023 is disclosed in Note 23.

(f) Determination of Fair Value of Investment Properties

The Bank's investment properties are composed of parcels of land, buildings, condominium units and improvements, which are held for capital appreciation and are measured using the cost model. The estimated fair value of investment properties disclosed in Note 7.4 is determined based on the appraisals conducted by professional appraisers applying the relevant valuation methodologies as discussed therein.

At initial recognition, the Bank determines the fair value of the acquired properties based on valuations performed by both internal and external appraisers. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the property. For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties. A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

The Bank's methodology in determining the fair value of acquired properties is further discussed in Note 7.

(g) Impairment of Non-financial Assets

Except for intangible assets with indefinite useful lives (i.e. goodwill, branch licenses, and club shares), which are annually tested for impairment, PFRS Accounting Standards requires that an impairment review be performed when certain impairment indications are present. The Bank's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.12. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Allowance for impairment recognized on investment properties and other properties held for sale are discussed in Notes 13 and 14. There are no impairment losses recognized in goodwill, branch licenses, bank premises, furniture, fixtures, and equipment, and right-of-use assets.

(h) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Bank measures its lease liabilities at the present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Bank's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment.

Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(i) Valuation of Post-employment Benefits

The determination of the Bank's obligation and cost of post-employment benefit plan is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21 and include, among others, discount rates, expected rate of salary increases and employee turnover. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of defined benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 21.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's activities are exposed to credit, market and liquidity, and operational risks. Credit risk emanates from exposures to borrowing customers, counterparty risk in trading activities, and contingent credit risks arising from trade finance exposures. Market risk covers price, liquidity, and interest rate risks in the Bank's investment portfolio. Liquidity risk may arise from shortage in funding and/or lack of market for sale of its assets. Operational risk covers potential losses other than market and credit risk arising from failures of people, process, systems, information technology and external events.

The ability to manage risks effectively is vital for the Bank to sustain its growth and continue to create value for its shareholders.

4.1 Risk Management

The Bank continually advances its risk management techniques and integrates this into the overall strategic business objectives to support the growth objectives of the Bank.

The Bank has automated the front office, back office, and middle office operations as far as market risk is concerned. This includes the integration of pre-deal limit checking, on-demand position monitoring, automated limit reporting and breach approval, and automated value-at-risk (VaR) calculations. In addition to the automation, the Bank continues to review its limits system to ensure that it only enters into transactions allowed under its existing policies and that adequate capital is available to cover market risk exposures.

On the credit side, the Bank safeguards its financial health by diligently assessing and managing the risks associated with lending. It involves evaluation of borrower creditworthiness by conducting thorough analyses of financial statements, historical performance, and other pertinent information to gauge the likelihood of repayment with each loan application and renewal. It also monitors borrower performance throughout the lifecycle of each loan by promptly identifying any signs of financial distress by implementing the automated credit risk downgrading. Additionally, it oversees the broader risk profile of the bank's loan portfolio by collaborating with colleagues across various departments to develop and refine credit policies and procedures in alignment with regulatory requirements and industry standards. Regular stress testing is also conducted to assess the portfolio's resilience under different economic conditions.

The allowance for credit losses, a significant component of the Bank's financial provisioning, is calculated using complex models and procedures that forecast the projected credit losses in the loan portfolio. This entails studying historical data, economic indicators, and other pertinent elements to anticipate potential impairments. Senior management and regulatory authorities receive regular reports and updates, which provide transparency into the Bank's credit risk exposure and performance.

The Bank has completed the bank-wide operational risk and control self-assessment in support of the enterprise risk management framework and has continued to use other operational risk management tools such as loss events monitoring and key risk indicators.

There is also an enterprise-wide training on risk awareness to ensure appreciation of the risk management objectives of the Bank, and how these relate to the overall objective and strategies of the Bank, resulting to appropriate identification and measurement of the key risks of all business and support units. Policies on business continuity and information security were further strengthened, strictly implemented, and continuously disseminated across all units of the Bank.

4.2 Enterprise Risk Management Framework

The Bank adopts an Enterprise Risk Management framework as its integrated approach to the identification, measurement, control, and disclosure of risks, subject to prudent limits and stringent controls as established in its risk management framework and governance structure. The Bank has an integrated process of planning, organizing, leading, and controlling its activities to minimize the effects of risk on its capital and earnings. The Bank's BOD formulates the corporate risk policy, sets risk tolerances and appetite, and provide risk oversight function through the Risk Oversight Committee (ROC), which in turn supervises the Chief Risk Officer and Head of the Enterprise Risk Management Group (ERMG) in the development and implementation of risk policies, processes, and guidelines. The framework covers operational, market and liquidity, credit and counterparty, and other downside risks within the context of the supervisory risk guidelines of the BSP and aligned best practices on risk management.

4.3 Credit Risk

Credit risk pertains to the risk to income or capital due to failure by borrowers or counterparties to pay their obligations, either in full or partially as they fall due, deterioration in the credit quality of a borrower, issuer or counterparty, and the reduced recovery from a credit facility in the event of default. This is inherent in the Bank's lending, investing, and trading and is managed in accordance with the Bank's credit risk framework of risk identification, measurement, control, and monitoring.

Credit risk is managed through a continuing review of credit policies, systems, and procedures. It starts with the definition of business goals and setting of risk policies by the BOD. Account officers and credit officers directly handle credit risk as guided by policies and limits approved by the BOD. ERMG, as guided by the ROC, performs an independent portfolio oversight of credit risks, and reports regularly to the BOD and the ROC.

On the transactional level, exposure to credit risk is managed through a credit review process wherein a regular analysis of the ability of the obligors and potential obligors to meet interest and capital repayment obligations is performed. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees. Moreover, in accordance with best practices, the Bank also adopts ICRRS for the purpose of measuring credit risk for every exposure in a consistent manner as accurately as possible and uses this information as a tool for business and financial decision-making.

Management considers the following changes to adopted ECL methodology:

- changes in loss given default (LGD) rates through consideration of cost to sell and change in haircut according to collateral types, and recalibration of recovery rates to reflect average LGD among current and performing loans only;
- changes to past due (PD) rates to incorporate enhancements for max bucketing, seasonality, final staging and overrides;
- changes in exposure at default (EAD) to reflect the impact of full subsequent collections with allocation to general loan loss provision (GLLP); and,
- specific provisioning policy to identify significant credit exposures that warrant individual assessments for loan loss provisioning.

4.3.1 Credit Risk Measurement

Loans and receivables, extended or renewed in subsequent year or period, are subjected to evaluation for possible losses. The Bank's estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows, and the passage of time. The assessment of credit risk of a portfolio of assets requires further estimations as to the PDs occurring, of the associated loss ratios, and of default correlations between counterparties; accordingly, such credit risk is measured using PD, EAD, and LGD, for purposes of measuring ECL as required by PFRS 9.

The initial recognition of credit risk by an individual or group of related counterparties is done through its ICRRS. The ICRRS is tailored to consider various categories of counterparty. The Rating system is further supplemented with external data to provide accurate ratings enabling adaptability to changes.

The ICRRS was created by the Bank with reference to the credit risk rating methodology utilized by an established rating agency to evaluate the creditworthiness of an individual borrower, regardless of the borrowing's status. The Bank reviews and updates its risk ratings for its loan and receivables portfolio on a regular basis, taking into account changes in the economy, business environment, industry, and borrower's circumstances. This periodic assessment of credit quality may result in a borrower's rating being improved or downgraded over time. The credit risk ratings in ICRRS are designed to increase the risk of default exponentially as the risk rating increases, as indicated by differences in the PD.

Management considers additional information for each type of loan portfolio held by the Bank:

(i) *Retail or Consumer Loans*

Subsequent to initial recognition, the payment behavior of the borrower is monitored periodically. The ECL parameters were carried out on a collective basis on shared credit risk characteristics of the borrowers and the repayment scheme of the products.

(ii) *Corporate and Commercial Loans*

For corporate and commercial loans, the rating is determined at the borrower level. A relationship manager incorporates any updated or new information or credit assessments into the credit review system on an ongoing basis. In addition, the relationship manager also updates information about the creditworthiness of the borrower every year from sources such as publicly available financial statements. This determines the internal credit rating and the PD.

(iii) *Debt Securities at Amortized Cost and at FVOCI*

For the Bank's debt securities, PD coming from Bloomberg are used. These default rates are continuously monitored and updated. The one-year PD is an estimate of the probability of a default, bankruptcy, government intervention or distressed exchange occurring in the next 12 months.

In the process of applying the Bank's ICRRS in determining indications of impairment on individually significant items of financial assets at amortized cost and debt securities at FVOCI, the Bank analyzes the credit quality of the corporate borrowers and counterparties through a set of criteria and rating scale classified into the following:

Risk Rating	Rating Description/Criteria
Excellent	Borrowers have very strong debt service capacity and have conservative balance sheet leverage.
Strong	Borrower normally has a comfortable degree of stability, substance and diversity.
Good	Borrowers have low probability of going into default and bear characteristics of some degree of stability and substance though susceptible to cyclical changes and higher degree of concentration of business risk either by product or by market.
Satisfactory	Borrowers where clear risk elements exist, and the probability of default is somewhat greater.
Acceptable	Borrower where the nature of the exposure represents a higher risk because of extraordinary developments but for which a decreasing risk within acceptable period can be expected.

Accounts with significant increase in credit risk are classified as “Watchlist”.

Risk Rating	Rating Description/Criteria
Watch list	Borrowers for which unfavorable industry or company-specific risk factors represent a concern.

Accounts already in default as defined are further mapped into BSP classification of non-performing accounts as follows:

Risk Rating	Rating Description/Criteria
Classified	Has potential weaknesses that deserve management's close attention and if left uncorrected, these weaknesses may affect the repayment of the loan.
Substandard	Have well-defined weakness/(es), that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.
Doubtful	Loans and credit accommodations that exhibit more severe weaknesses than those classified as “Substandard”, whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable.
Loss	Loans considered absolutely uncollectible or worthless.

The Bank determines the stage of corporate and consumer loans based on the above risk ratings as well as the loan bucketing based on days past due. These are consistent with the manner applied under the Bank's internal credit risk assessment and regulatory reporting as follows:

Classification	Stage	Bucket
Excellent Strong Good Satisfactory Acceptable	1	Current One to 30 days
Watchlist	2	31 to 60 days 61 to 90 days
Classified Substandard Doubtful Loss	3	91 to 120 days 121 to 150 days 151 to 180 days More than 180 days

The Bank assigns consumer loans according to the loan bucketing based on days past due which are classified as follows:

Classification	Stage	Bucket
Performing	1	Current One to 30 days
Underperforming	2	31 to 60 days 61 to 90 days
Non-performing	3	91 to 120 days 120 to 150 days 151 to 180 days More than 180 days

The groupings of financial instruments into a pool of shared credit quality are subject to the regular review in order to ensure that credit exposures within a particular group remain appropriately homogenous.

Credit exposures shall be regularly assessed, and the loan loss provision be recognized in a timely manner to ensure that capital is adequate to support such risk exposure. Further, to ensure that this is rationally implemented, the Bank developed and adopted an internal loan loss methodology.

4.3.2 Credit Quality Analysis

The following table sets out information about the credit quality of loans and other receivables, financial assets measured at amortized cost, and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts for loan commitments and other contingent accounts, the amounts in the table represent the amounts committed. As of December 31, 2024 and 2023, there are no purchased or originated credit-impaired financial assets in the Bank's financial statements.

The following table shows the exposure (gross of unamortized charges and unearned discount) to credit risk for each internal risk grade and the related allowance for impairment:

	2024			
(Amounts in PHP)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables from customers – corporate				
Excellent	3,395,109,135	-	-	3,395,109,135
Strong	55,354,729	-	-	55,354,729
Good	4,548,471,023	-	-	4,548,471,023
Satisfactory	28,288,085,975	-	-	28,288,085,975
Acceptable	55,806,583,787	-	-	55,806,583,787
Watchlist	-	19,449,504,899	388,420,859	19,837,925,758
Classified	-	-	3,125,677,527	3,125,677,527
Substandard	-	-	6,715,880,565	6,715,880,565
Doubtful	-	-	33,183,994	33,183,994
Loss	-	-	106,131,805	106,131,805
Gross amount	92,093,604,649	19,449,504,899	10,369,294,750	121,912,404,298
ECL allowance	(73,264,606)	(696,437,050)	(5,081,022,205)	(5,850,723,861)
Carrying amount	**92,020,340,043**	**18,753,067,849**	**5,288,272,545**	**116,061,680,437**
Receivables from customers – consumers				
Housing Loans				
Performing	5,068,482,400	-	-	5,068,482,400
Underperforming	-	114,642,524	-	114,642,524
Non-performing	-	-	245,878,211	245,878,211
Gross amount	5,068,482,400	114,642,524	245,878,211	5,429,003,135
ECL allowance	(1,781,020)	(641,123)	(76,279,264)	(78,701,407)
Carrying amount	**5,066,701,380**	**114,001,401**	**169,598,947**	**5,350,301,728**
Auto Loans				
Performing	1,490,312,036	-	-	1,490,312,036
Underperforming	-	15,081,418	-	15,081,418
Non-performing	-	-	125,886,959	125,886,959
Gross amount	1,490,312,036	15,081,418	125,886,959	1,631,280,413
ECL allowance	(1,447,914)	(257,962)	(110,970,210)	(112,676,086)
Carrying amount	**1,488,864,122**	**14,823,456**	**14,916,749**	**1,518,604,327**
Salary Loans				
Performing	3,215,755,052	-	-	3,215,755,052
Underperforming	-	89,085,453	-	89,085,453
Non-performing	-	-	191,513,753	191,513,753
Gross amount	3,215,755,052	89,085,453	191,513,753	3,496,354,258
ECL allowance	(19,721,190)	(24,560,810)	(183,951,887)	(228,233,887)
Carrying amount	**3,196,033,862**	**64,524,643**	**7,561,866**	**3,268,120,371**
Total gross amount	9,774,549,488	218,809,395	563,278,923	10,556,637,806
Total ECL allowance	(22,950,124)	(25,459,895)	(371,201,361)	(419,611,380)
Total Carrying amount	**9,751,599,364**	**193,349,500**	**192,077,562**	**10,137,026,426**

(Amounts in PHP)	2024 Stage 1	Stage 2	Stage 3	Total
Other receivables				
Excellent	503,522,097	-	-	503,522,097
Strong	615,750,289	-	-	615,750,289
Good	23,895,832	-	-	23,895,832
Satisfactory	68,742,050	-	-	68,742,050
Acceptable	131,372,700	-	-	131,372,700
Watchlist	-	51,469,534	963,110	52,432,644
Classified	-	-	8,776,087	8,776,087
Substandard	-	-	71,411,611	71,411,611
Doubtful	-	-	24,750	24,750
Unrated	800,676,253	39,826,857	125,946,914	966,450,024
Gross amount	2,143,959,221	91,296,391	207,122,472	2,442,378,084
ECL allowance	(5,447,743)	(6,137,676)	(153,518,018)	(165,103,437)
Carrying amount	**2,138,511,478**	**85,158,715**	**53,604,454**	**2,277,274,647**
Debt investment securities at FVOCI				
Gross amount – Excellent	14,326,399,293	-	-	14,326,399,293
ECL allowance**	(16,867,787)	-	-	(16,867,787)
Carrying amount	**14,309,531,506**	**-**	**-**	**14,309,531,506**

*** Reported as part of unrealized fair value gains (losses) (NUGL).*

(Amounts in PHP)	2024 Stage 1	Stage 2	Stage 3	Total
Debt investment securities at amortized cost				
Gross amount – Excellent	1,286,126,848	-	-	1,286,126,848
ECL allowance	(15,777,698)	-	-	(15,777,698)
Carrying amount	**1,270,349,150**	**-**	**-**	**1,270,349,150**

(Amounts in PHP)	2023 Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate*				
Excellent	4,108,936,194	-	-	4,108,936,194
Strong	59,571,000	-	-	59,571,000
Good	9,145,927,330	22,392,232	2,526,366	9,170,845,928
Satisfactory	23,431,562,114	1,252,945,332	-	24,684,507,446
Acceptable	54,036,060,039	443,133,886	-	54,479,193,925
Watchlist	-	7,104,370,717	135,683,778	7,240,054,495
Classified	-	-	9,636,065,218	9,636,065,218
Loss	-	-	396,500	396,500
Gross amount	90,782,056,677	8,822,842,167	9,774,671,862	109,379,570,706
ECL allowance	(155,584,539)	(122,974,833)	(5,281,524,740)	(5,560,084,112)
Carrying amount	90,626,472,138	8,699,867,334	4,493,147,122	103,819,486,594

** Excludes unamortized charges from capitalized commission amounting to P0.3 million*

(Amounts in PHP)	2023 Stage 1	Stage 2	Stage 3	Total
Receivables from customers – consumers				
Housing Loans				
Performing	4,175,414,399	-	-	4,175,414,399
Underperforming	-	157,826,766	-	157,826,766
Non-performing	-	-	229,090,692	229,090,692
Gross amount	4,175,414,399	157,826,766	229,090,692	4,562,331,857
ECL allowance	(1,854,067)	(1,375,515)	(44,278,597)	(47,508,179)
Carrying amount	4,173,560,332	156,451,251	184,812,095	4,514,823,678
Auto Loans				
Performing	1,479,567,141	-	-	1,479,567,141
Underperforming	-	17,715,462	-	17,715,462
Non-performing	-	-	167,512,245	167,512,245
Gross amount	1,479,567,141	17,715,462	167,512,245	1,664,794,848
ECL allowance	(997,593)	(166,798)	(19,716,317)	(20,880,708)
Carrying amount	1,478,569,548	17,548,664	147,795,928	1,643,914,140
Salary Loans				
Performing	1,761,963,638	-	-	1,761,963,638
Underperforming	-	47,385,140	-	47,385,140
Non-performing	-	-	92,147,089	92,147,089
Gross amount	1,761,963,638	47,385,140	92,147,089	1,901,495,867
ECL allowance	(9,953,045)	(10,552,121)	(85,928,936)	(106,434,102)
Carrying amount	1,752,010,593	36,833,019	6,218,153	1,795,061,765
Total gross amount	7,416,945,178	222,927,368	488,750,026	8,128,622,572
Total ECL allowance	(12,804,705)	(12,094,434)	(149,923,850)	(174,822,989)
Carrying amount	7,404,140,473	210,832,934	338,826,176	7,953,799,583
Other receivables				
Excellent	5,585,278,230	-	-	5,585,278,230
Strong	3,889	-	-	3,889
Good	25,392,539	36,947	17,895	25,447,381
Satisfactory	69,400,719	674,990	-	70,075,709
Acceptable	158,959,762	1,871,948	142,640	160,974,350
Watchlist	-	21,316,759	90,905,385	112,222,144
Classified	-	-	227,526,672	227,526,672
Gross amount	5,839,035,139	23,900,644	318,592,592	6,181,528,375
ECL allowance	(1,073,360)	(667,533)	(187,520,127)	(189,261,020)
Carrying amount	5,837,961,779	23,233,111	131,072,465	5,992,267,355
Debt investment securities at FVOCI				
Gross amount – Excellent	13,765,424,913	-	-	13,765,424,913
ECL allowance**	(16,867,787)	-	-	(16,867,787)
Carrying amount	13,748,557,126	-	-	13,748,557,126

*** Reported as part of unrealized fair value gains (losses) (NUGL).*

Debt investment securities at amortized cost				
Gross amount – Excellent	1,517,034,052	-	-	1,517,034,052
ECL allowance	(15,777,698)	-	-	(15,777,698)
Carrying amount	1,501,256,354	-	-	1,501,256,354

As of December 31, 2024 and 2023, the Bank held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P8,115.3 million and P9,985.7 million, respectively, (see Note 9). The financial assets are held with the BSP and financial institution counterparties that are rated at least BBB to AAA+, based on Standard and Poor's (S&P) ratings.

4.3.3 Concentrations of Credit Risk

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk (gross of allowance) at the reporting date is shown below.

	2024			2023		
(Amounts in thousands PHP)	**Cash and Cash Equivalents***	**Receivables from Customers****	**Trading and Investment Securities**	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities
Finance and insurance	**9,313,411**	**7,195,245**	**23,168,936**	15,047,081	5,679,964	20,681,836
Wholesale and retail trade	**-**	**49,602,164**	**-**	-	42,733,376	-
Real estate activities	**-**	**13,468,754**	**300,529**	-	16,229,449	337,378
Manufacturing	**-**	**15,528,996**	**1,891,048**	-	13,462,005	55,812
Construction	**-**	**17,851,404**		-	11,585,188	-
Transportation and Storage	**-**	**5,242,346**	**-**	-	5,422,045	669,550
Accommodation and food service activities	**-**	**5,686,901**	**-**	-	4,809,751	320,220
Electricity, gas, steam and air-conditioning supply		**4,374,963**	**126,889**	-	4,637,011	-
Consumption	**-**	**3,481,168**	**-**	-	3,567,826	-
Water supply, sewerage waste management and remediation activities	**-**	**2,311,234**	**298,993**	-	2,748,564	-
Administrative and support services	**-**	**1,178,146**	**-**	-	1,466,559	-
Agriculture, forestry and fishing	**-**	**1,404,575**	**-**	-	1,367,624	-
Professional, scientific, and technical activities	**-**	**559,154**	**-**	-	1,332,678	-
Mining and quarrying	**-**	**916,599**	**-**	-	988,877	-
Information and communication	**-**	**994,694**	**-**	-	245,135	-
Education	**-**	**314,602**	**-**	-	296,080	-
Human health and social services activities	**-**	**29,024**	**-**	-	34,112	-
Arts, entertainment and recreation	**-**	**46,210**	**-**	-	20,710	-
Household as employers and undifferentiated goods and services and producing activities of households for own use	**-**	**3,331**	**-**	-	3,331	-
Other service activities	**-**	**2,279,532**	**-**	-	878,221	-
	9,313,411	**132,469,042**	**25,786,395**	15,047,081	117,508,506	22,064,796

**Cash and cash equivalents include cash and other cash items, due from BSP and other banks, SPURRA, interbank loans and foreign currency notes on hand (see Note 2.3)*
*** Receivables from customers are reported gross of unearned interests or discounts and excluding unamortized charges from capitalized commission.*

4.3.4 Amounts Arising from ECL

At each reporting period, the Bank assesses whether financial assets carried at amortized cost and debt securities carried at FVOCI have significant increase in credit risk (referred to as Stages 2 and 3 financial assets). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using PD, LGD and EAD.

(a) Significant Increase in Credit Risk (SICR)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank assesses the change in the risk of a default occurring over the remaining life of the financial instrument. In making this assessment, the Bank assesses on a periodic basis both the quantitative and qualitative information that is reasonable and supportable, including historical experience as appropriate. For corporate and commercial loans, these may include macroeconomic conditions, economic sector and geographical region relevant to the corporate counterparty or borrower and other factors that are counterparty specific. As the Bank holds various types of financial instruments, the extent of assessment may depend on the materiality of the financial instrument, or the complexity of the portfolio being assessed.

Retail or Consumer Loans

The Bank ECL model follows a three-stage impairment approach in determining the loss allowance to be recognized in the financial statements:

- Stage 1 – comprises of all credit exposures that are considered ‘performing’ and with no observed SICR since initial recognition. These include those financial instruments with low credit risk. For these financial instruments, the loss allowance is determined based on a 12-month ECL. PFRS 9 provides a rebuttable presumption that credit risk is considered to have significantly increased since initial recognition if the contractual payment is more than 30 days past due.
The rebuttal must be in consideration of a reasonable and supportable information that is available without undue cost or effort.

- Stage 2 – comprises of all financial instruments assessed to have SICR since initial recognition based on the Bank’s quantitative and qualitative criteria, though not yet deemed to be credit-impaired. Stage 2 includes credit exposures that are considered ‘under-performing’ in which credit risk assessment fall under the Especially Mentioned classification. Stage 2 financial instruments may also include those facilities where the credit risk has improved and have been reclassified from Stage 3 subject to the Bank’s observation period on the creditworthiness of the counterparty. A lifetime ECL is recognized for these financial instruments.

- Stage 3 – comprises credit exposures which are assessed as 'credit-impaired', thus considered by the Bank as 'non-performing', which is assessed consistently with the Banks definition of default. Generally, this includes accounts categorized as Substandard, Doubtful and Loss. The Bank recognizes a lifetime ECL for all credit-impaired financial assets.

Corporate and Commercial Loans

As outlined in PFRS 9, a '3-stage' impairment model was adopted by the Bank based on changes in credit quality since initial recognition of the financial asset. As discussed in Note 2.3(a)(iii), a financial asset that is not credit-impaired on initial recognition is classified as 'Stage 1', with credit risk continuously monitored by the Bank as its ECL is measured at an amount equal to the portion of lifetime ECL that results from possible default events within the next 12 months. If an SICR since initial recognition is identified, the classification will be moved to 'Stage 2' but is not yet deemed to be credit impaired. Such assessment is based on certain qualitative criteria as follows:

- borrowers with past due accounts over the cure period of 30 days at the effectivity of the cure period policy shall be downgraded to Watchlist Rating.

- borrowers can be upgraded upon completion of the observation period which shall be 12 months from the time of downgrading provided an updated ICRRS has been conducted. The seasoning means that there is no incident of past due even within the cure period.

Generally, watchlist accounts shall be considered as Stage 2 accounts for purposes of provisioning while Classified accounts shall be Stage 3.

Debt Securities at Amortized Cost and at FVOCI

The Bank considers low credit risk for government debt securities and listed corporate debt securities when its credit risk rating is equivalent to a globally understood definition of 'investment grade' (which should be from at least one major rating agency); other debt securities are considered to be low credit risk when they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(b) *Definition of Default and Credit-impaired Assets*

<u>*Loans and other receivables*</u>

Credit-impaired loans and other receivables are those classified as both past due and under Stage 3. The total credit impaired assets under corporate, consumer, and other receivables amounted to P10,369.3 million, P563.3 million, and P207.1 million as of December 31, 2024, and P9,774.6 million, P488.8 million, and P318.6 million, respectively, as of December 31, 2023 (see Note 4.3.8).

The Bank defines a financial asset as in default, which is aligned with the definition of credit-impaired asset, when it meets one or more of the following criteria:

- *Quantitative* – in this criterion, the borrower is more than 30 days past due on its contractual payments.

- *Qualitative* – this includes instances where the borrower is unlikely to pay its obligations and is deemed to be in significant financial difficulty, which include cases of long-term forbearance, borrower's death, insolvency, breach of financial covenant/s, disappearance of active market for that financial instrument because of financial difficulties, and bankruptcy.

These criteria have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. Such definition has been consistently applied in determining PD, EAD, and LGD throughout the ECL calculations of the Bank.

An instrument is considered to have cured when it no longer meets any of the default criteria for six consecutive months. The cure period sets the tolerance period wherein the borrowers are allowed to update the payments. This period was determined based on an analysis which considers the likelihood of a financial instrument returning to default status. The Bank considers verifiable collection experience and reasonable judgment that support the likelihood.

In 2024 and 2023, unsecured and secured loans qualify for write-off when they remained unpaid and outstanding for more than 915 days and 1,825 days, respectively, and upon BOD approval.

Debt Securities

Debt securities are assessed as credit-impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the security (a "loss event") and that loss event has impact on the estimated future cash flows of the securities. Losses expected as a result of future events, shall also be considered in estimating the ECL. Objective evidence that the security is impaired includes observable data that comes to the attention of the holder of the security about the following loss events:

- significant financial difficulty of the issuer or obligor;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the financial institution, for economic or legal reasons relating to the issuer's financial difficulty, granting to the issuer a concession that the financial institution would not otherwise consider;
- it becoming probable that the issuer will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that security because of financial difficulties; or,
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of securities since the initial recognition of those assets, although the decrease cannot yet be identified with the individual securities in the portfolio, including adverse change in the payment status of issuers in the portfolio; or national or local economic conditions that correlate with defaults on the securities in the portfolio.

The disappearance of an active market because a financial institution's held securities are no longer publicly traded is not evidence of impairment. A downgrade of an issuer's credit rating is not, by itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a security below its cost or amortized cost is not necessarily evidence of impairment (e.g., a decline in fair value of an investment in debt security that results from an increase in the risk-free interest rate)

In making an assessment of whether an investment in government debt securities is credit-impaired, the Bank considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessment of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; or,
- the internal support mechanism in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

(c) *Key Inputs, Assumptions and Estimation Techniques Used in Measurement of ECL*

The ECL is measured on either a 12-month or lifetime basis depending on whether an SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the PD, LGD, and EAD, which are defined in Note 2.3(a)(iii). The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival i.e., the exposure has not been prepaid or defaulted in an earlier month. This effectively calculates an ECL for each future month, which is then discounted back to and summed up at the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. Such profile is supported by a historical analysis (usually, an observation period of five years).

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For loans with periodic amortization and one-time full payment at end of the term, EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default and may vary by product type. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market or book values due to forced sales, time to repossession and recovery costs observed.

For unsecured loan portfolios, LGD is typically set at portfolio level due to the limited differentiation in recoveries achieved across different borrowers. The LGD is influenced by collection strategies.

The determination of the 12-month and lifetime PD, LGD, and EAD includes the overlay of forward-looking economic information [see Note 4.3.4(d)]. Further, the assumptions underlying the calculation of the ECL, such as how the maturity profile of the PDs and how collateral values change, are monitored and reviewed by the Bank on a quarterly basis.

(d) *Overlay of Forward-looking Information in the Measurement of ECL*

The Bank incorporates forward-looking information (FLI) in its assessment of SICR and calculation of ECL. The Bank has performed historical analysis and has identified the key macroeconomic variables (MEVs) impacting credit risk associated with its borrowers and/or counterparties and the ECL for each portfolio of debt instruments.

The MEVs and their associated impact on the PD, EAD and LGD vary by financial instrument. The Bank formulates forecasts of MEVs (one base economic scenario, and two less likely scenarios – one upside and one downside) and are performed by the Bank's ERMG on a quarterly basis and provide the best estimate view of the economy over the next five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of EAD and LGD.

The base scenario is aligned with information used by the Bank for strategic planning and budgeting. The MEVs considered by the Bank includes economic data and forecasts published by government bodies (e.g., BSP and Philippine Statistics Authority), international organizations (e.g., International Monetary Fund), and certain reputable private and academic organizations involved in forecasting.

Accordingly, the Bank has identified key drivers for credit risk for its corporate loans portfolio which include gross domestic product, interest rate, consumer price index, general wholesale price index, money supply, and inflation rate. The analysis of these scenarios takes into account the range of possible outcomes that each chosen scenario is representative of. The assessment of SICR is performed using the lifetime PD under each scenario, multiplied by the associated scenario weight, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3, hence, whether a 12-month or lifetime ECL should be recorded.

Following this assessment, the Bank measures ECL as either a probability-weighted 12-month ECL (Stage 1), or a probability-weighted lifetime ECL (Stages 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weights. As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different to those projections. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Bank's different product types to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Management has also considered other FLI not incorporated within the above economic scenarios, such as any regulatory, legislative, or political changes, but are not deemed to have a significant impact on the calculation of ECL.

(e) Collective Basis of Measurement of ECL

For modelling ECL parameters which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as instrument, product type (auto loans, housing loans, etc.), repayment scheme, industry type, remaining life to maturity, and geographical locations of the borrowers and/or counterparties.

The groups are subject to regular review by the Bank's ERMG in order to ensure that credit exposures within a particular group remain appropriately homogenous.

4.3.5 Modifications of Financial Assets

(a) Financial Reliefs Provided by the Bank

In certain cases, the Bank modifies the terms of the loans provided to the borrowers due to commercial renegotiations, or for distressed loans, with a view of maximizing recovery of the contractual amount of obligation that the Bank is owed to. Restructuring policies and practices are based on indicators or criteria which, in the management's judgment, indicate that payment will most likely continue. Such policies are continuously reviewed and updated as necessary. Restructuring is most commonly applied to term or corporate loans.

Previously, in addition to the government-mandated reliefs, the Bank has also offered financial relief in response to the COVID-19 situation. The following relief measures were granted to eligible customers:

- payment of amortization relief including extension of contractual terms;
- principal and interest relief including lower amortization on extended terms; and,
- change from loan line to term loan (i.e., consolidation of amounts due).

The remaining outstanding balance of restructured loans from these relief measures amounted to P5,216.9 million and P4,505.4 million as of December 31, 2024 and 2023, respectively. The related allowance for credit loss of such loans amounted to P628.7 million and P494.5 million as of the same dates, respectively. Of the total outstanding restructured loans as of December 31, 2024, and 2023, P1,450.8 million and P2,148.9 million, respectively, are due to impact of COVID-19 situation.

(b) *Assessment of SICR*

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the performance of the financial asset subsequent to its modification. The Bank may determine that the credit risk has significantly improved after restructuring (in accordance with the new terms for six consecutive months or more), so that the assets are moved from Stage 3 or Stage 2.

The Bank continues to monitor if there is a subsequent SICR in relation to such modified assets through the use of specific models for modified assets.

4.3.6 Credit Risk Exposures

The Bank's maximum exposure to credit risk is equal to the carrying value of its financial assets, except for certain secured loans and receivables from customers, as shown below.

(Amounts in PHP)	**Gross Maximum Exposure**	**Fair Value of Collaterals**	**Net Exposure**	**Financial Effect of Collaterals**
2024				
Loans and discounts				
Corporate	121,912,404,298	135,889,970,539	-	121,912,404,298
Consumer	10,556,637,806	17,646,080,077	-	10,556,637,806
Other receivables	2,442,378,084	53,919,219	2,388,458,865	53,919,219
	134,911,420,188	**153,589,969,835**	**2,388,458,865**	**132,522,961,323**
2023				
Loans and discounts				
Corporate	109,379,570,706	113,289,469,781	-	109,379,570,706
Consumer	8,131,622,572	15,775,874,384	-	8,131,622,572
Other receivables	6,181,528,375	99,301,875	6,082,226,500	99,301,875
	123,692,721,653	129,164,646,040	6,082,226,500	117,610,495,153

An analysis of the maximum credit risk exposure relating to Stage 3 financial assets as of December 31, 2024 and 2023 is shown below.

(Amounts in PHP)	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
2024				
Loans and discounts				
Corporate	10,369,294,750	11,325,896,959	-	10,369,294,750
Consumer	563,278,923	4,113,225,638	-	563,278,923
Other receivables	207,122,472	8,679,219	198,443,253	8,679,219
	11,139,696,145	**15,447,801,816**	**198,443,253**	**10,941,252,892**
2023				
Loans and discounts				
Corporate	9,774,671,862	7,685,311,480	2,089,360,382	7,685,311,480
Consumer	488,750,026	4,097,216,064	-	488,750,026
Other receivables	318,592,592	23,567,113	295,025,479	23,567,113
	10,582,014,480	11,806,094,657	2,384,385,861	8,197,628,619

The following table sets out the gross carrying amounts of the exposures to credit risk on financial assets with low credit risk measured at amortized cost and debt securities at FVOCI as of December 31:

(Amounts in PHP)	Notes	**2024**	2023
Cash and cash equivalents	9, 11	**9,313,411,461**	15,047,080,855
Debt securities:			
At FVOCI	10.2	**14,326,399,293**	13,765,424,913
At amortized cost	10.3	**1,286,126,848**	1,517,034,052
		15,612,526,141	15,282,458,965
		24,925,937,602	30,329,539,820

Cash and cash equivalents include loans and advances to banks (i.e., Due from BSP, Due from Other Banks, SPURRA, Interbank Loans and Foreign currency coins and notes on hand).

Debt securities includes government and corporate bonds. These are held by the BSP, financial institutions and other counterparties that are reputable and with low credit risk. Corresponding allowance for ECL is shown in Note 4.3.7.

4.3.7 Allowance for Expected Credit Loss

The following tables show the reconciliation of the loss allowance for ECL by class of financial instruments at the beginning and end of 2024 and 2023:

	2024			
(Amounts in PHP)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables from customers – corporate				
Balance at January 1	155,584,539	122,974,833	5,281,524,740	5,560,084,112
Transfers to:				
Stage 1	2,567,912	(455,652)	(2,112,260)	-
Stage 2	(8,517,308)	30,616,448	(22,099,140)	-
Stage 3	(13,969,128)	(12,851,094)	26,820,222	-
Net remeasurement of loss allowance	(47,957,620)	90,286,255	12,417,418	54,746,053
New financial assets originated	49,718,424	606,926,218	591,706,530	1,248,351,172
Derecognition of financial assets	(64,162,213)	(141,059,958)	(404,111,177)	(609,333,348)
Write-offs	-	-	(403,124,128)	(403,124,128)
Balance at December 31	**73,264,606**	**696,437,050**	**5,081,022,205**	**5,850,723,861**
Receivables from customers – consumer				
Balance at January 1	12,804,705	12,094,434	149,923,850	174,822,989
Transfers to:				
Stage 1	1,652,864	(1,327,385)	(325,479)	-
Stage 2	(492,869)	1,800,108	(1,307,239)	-
Stage 3	(1,587,009)	(5,349,543)	6,936,552	-
Net remeasurement of loss allowance	700,251	4,707,622	337,310,510	342,718,383
New financial assets originated	17,132,252	17,457,767	39,803,863	74,393,882
Derecognition of financial assets	(7,260,070)	(3,923,108)	(46,289,295)	(57,472,473)
Write-offs	-	-	(114,851,401)	(114,851,401)
Balance at December 31	**22,950,124**	**25,459,895**	**371,201,361**	**419,611,380**
Other receivables				
Balance at January 1	1,073,360	667,533	187,520,127	189,261,020
Transfers to:				
Stage 1	30,234	(21,334)	(8,900)	-
Stage 2	(36,611)	372,401	(335,790)	-
Stage 3	(160,810)	(119,430)	280,240	-
Net remeasurement of loss allowance	(1,921,121)	1,868,703	(20,109,778)	(20,162,196)
New financial assets originated	6,991,351	4,694,684	1,105,693	12,791,728
Derecognition of financial assets	(528,660)	(1,324,881)	(12,850,007)	(14,703,548)
Write-offs	-	-	(2,083,567)	(2,083,567)
Balance at December 31	**5,447,743**	**6,137,676**	**153,518,018**	**165,103,437**
Debt investment securities at FVOCI				
Balance at January 1	16,867,787	-	-	16,867,787
Net remeasurement of loss allowance	-	-	-	-
Balance at December 31	**16,867,787**	**-**	**-**	**16,867,787**
Debt investment securities at amortized cost				
Balance at January 1	15,777,698	-	-	15,777,698
Net remeasurement of loss allowance	-	-	-	-
Balance at December 31	**15,777,698**	**-**	**-**	**15,777,698**

(Amounts in PHP)	2023 Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	63,259,792	81,520,286	4,496,231,984	4,641,012,062
Transfers to:				
Stage 1	344,404	(343,428)	(976)	-
Stage 2	(17,243,241)	17,496,611	(253,370)	-
Stage 3	(251,732,733)	(244,851,236)	496,583,969	-
Net remeasurement of loss allowance	327,385,343	246,162,210	101,732,442	675,279,995
New financial assets originated	74,804,498	72,806,306	667,844,541	815,455,345
Derecognition of financial assets	(41,233,524)	(49,815,916)	(480,613,850)	(571,663,290)
Balance at December 31	155,584,539	122,974,833	5,281,524,740	5,560,084,112
Receivables from customers – consumer				
Balance at January 1	11,880,860	13,681,442	150,779,178	176,341,480
Transfers to:				
Stage 1	305,560	(203,451)	(102,109)	-
Stage 2	(4,126,993)	4,421,623	(294,630)	-
Stage 3	(26,685,770)	(9,049,171)	35,734,941	-
Net remeasurement of loss allowance	29,857,895	(193,147)	134,049,352	163,714,100
New financial assets originated	7,004,263	7,999,719	16,591,191	31,595,173
Derecognition of financial assets	(5,431,110)	(4,562,581)	(83,652,571)	(93,646,262)
Write-offs	-	-	(103,181,502)	(103,181,502)
Balance at December 31	12,804,705	12,094,434	149,923,850	174,822,989
Other receivables				
Balance at January 1	7,134,532	1,395,690	166,919,306	175,449,528
Transfers to:				
Stage 1	3,432	(2,944)	(488)	-
Stage 2	(60,307)	65,683	(5,376)	-
Stage 3	(3,786,181)	(1,293,122)	5,079,303	-
Net remeasurement of loss allowance	(2,298,760)	84,557	23,468,070	21,253,867
New financial assets originated	184,805	561763	1,081,825	1,828,393
Derecognition of financial assets	(104,161)	(144,094)	(4,191,904)	(4,440,159)
Write-offs	-	-	(4,830,609)	(4,830,609)
Balance at December 31	1,073,360	667,533	187,520,127	189,261,020
Debt investment securities at FVOCI				
Balance at January 1	10,793,644	-	-	10,793,644
Net remeasurement of loss allowance	6,074,143	-	-	6,074,143
Balance at December 31	16,867,787	-	-	16,867,787
Debt investment securities at amortized cost				
Balance at January 1	13,299,092	-	-	13,299,092
Net remeasurement of loss allowance	2,478,606	-	-	2,478,606
Balance at December 31	15,777,698	-	-	15,777,698

4.3.8 Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

The table below and in the succeeding page provides information on how the significant changes in the gross carrying amounts (i.e., gross of unamortized charges and unearned discount) of financial instruments in 2024 and 2023 contributed to the changes in the allowance for ECL.

	2024			
(Amounts in PHP)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables from customers – corporate				
Balance at January 1	90,782,056,677	8,822,842,167	9,774,671,862	109,379,570,706
Transfers to:				
Stage 1	81,078,704	(68,377,256)	(12,701,448)	-
Stage 2	(7,777,524,090)	7,910,410,705	(132,886,615)	-
Stage 3	(1,283,135,231)	(636,770,804)	1,919,906,035	-
New financial assets originated	65,519,805,104	9,017,408,272	2,270,254,819	76,807,468,195
Derecognition of financial assets	(55,228,676,515)	(5,596,008,185)	(3,046,825,775)	(63,871,510,475)
Write-offs	-	-	(403,124,128)	(403,124,128)
Balance at December 31	**92,093,604,649**	**19,449,504,899**	**10,369,294,750**	**121,912,404,298**
Receivables from customers – consumer				
Balance at January 1	7,416,945,178	222,927,368	488,750,026	8,128,622,572
Transfers to:				
Stage 1	35,569,829	(32,321,287)	(3,248,542)	-
Stage 2	(107,704,721)	109,328,265	(1,623,544)	-
Stage 3	(151,382,981)	(83,482,706)	234,865,687	-
New financial assets originated	5,175,537,746	78,670,263	52,088,868	5,306,296,877
Derecognition of financial assets	(2,594,415,563)	(76,312,508)	(92,702,171)	(2,763,430,242)
Write-offs	-	-	(114,851,401)	(114,851,401)
Balance at December 31	**9,774,549,488**	**218,809,395**	**563,278,923**	**10,556,637,806**
Other receivables				
Balance at January 1	5,839,035,139	23,900,644	318,592,592	6,181,528,375
Transfers to:				
Stage 1	606,027	(507,842)	(98,185)	-
Stage 2	(28,903,865)	30,831,561	(1,927,696)	-
Stage 3	(9,617,024)	(2,470,995)	12,088,019	-
New financial assets originated	777,850,401	54,850,825	3,923,119	836,624,345
Derecognition of financial assets	(4,435,011,457)	(15,307,802)	(123,371,810)	(4,573,691,069)
Write-offs	-	-	(2,083,567)	(2,083,567)
Balance at December 31	**2,143,959,221**	**91,296,391**	**207,122,472**	**2,442,378,084**
Debt investment securities at FVOCI				
Balance at January 1	13,765,424,913	-	-	13,765,424,913
New financial assets purchased	1,555,351,731	-	-	1,555,351,731
Fair value gains	(6,099,697)	-	-	(6,099,697)
Disposals, maturities, and redemptions	(1,031,380,000)	-	-	(1,031,380,000)
Foreign currency revaluation	93,231,689	-	-	93,231,689
Amortization of premium	(50,129,343)	-	-	(50,129,343)
Balance at December 31	**14,326,399,293**	**-**	**-**	**14,326,399,293**
Debt investment securities at amortized cost				
Balance at January 1	1,517,034,052	-	-	1,517,034,052
New financial assets purchased	230,974,346	-	-	230,974,346
Maturities	(503,687,237)	-	-	(503,687,237)
Amortization of discount	41,805,687	-	-	41,805,687
Balance at December 31	**1,286,126,848**	**-**	**-**	**1,286,126,848**

(Amounts in PHP)	2023 Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	81,561,708,056	7,473,106,632	8,385,135,450	97,419,950,138
Transfers to:				
Stage 1	423,691,020	(421,078,878)	(2,612,142)	-
Stage 2	(1,642,243,763)	1,701,319,128	(59,075,365)	-
Stage 3	(477,652,949)	(770,413,311)	1,248,066,260	-
New financial assets originated	64,938,730,784	3,757,578,405	1,524,017,165	70,220,326,354
Derecognition of financial assets	(54,022,176,471)	(2,917,669,809)	(1,320,859,506)	(58,260,705,786)
Balance at December 31	90,782,056,677	8,822,842,167	9,774,671,862	109,379,570,706
Receivables from customers – consumer				
Balance at January 1	6,327,117,445	184,505,682	629,095,010	7,140,718,137
Transfers to:				
Stage 1	59,534,081	(4,767,213)	(54,766,868)	-
Stage 2	(108,598,128)	133,865,625	(25,267,497)	-
Stage 3	(63,306,956)	(16,638,775)	79,945,731	-
New financial assets originated	3,356,882,265	38,022,443	17,964,646	3,412,869,354
Derecognition of financial assets	(2,154,683,529)	(112,060,394)	(55,039,494)	(2,321,783,417)
Write-offs	-	-	(103,181,502)	(103,181,502)
Balance at December 31	7,416,945,178	222,927,368	488,750,026	8,128,622,572
Other receivables				
Balance at January 1	3,072,165,080	19,283,804	599,492,783	3,690,941,667
Transfers to:				
Stage 1	303,284	(168,500)	(134,784)	-
Stage 2	(14,176,712)	14,683,895	(507,183)	-
Stage 3	(7,227,726)	(6,913,263)	14,140,989	-
New financial assets originated	5,140,568,216	5,032,673	3,184,994	5,148,785,883
Derecognition of financial assets	(2,352,597,003)	(8,017,965)	(292,753,598)	(2,653,368,566)
Write-offs	-	-	(4,830,609)	(4,830,609)
Balance at December 31	5,839,035,139	23,900,644	318,592,592	6,181,528,375
Debt investment securities at FVOCI				
Balance at January 1	10,820,216,925	-	-	10,820,216,925
New financial assets purchased	2,795,028,683	-	-	2,795,028,683
Fair value gains	539,514,930	-	-	539,514,930
Disposals, maturities, and redemptions	(325,000,000)	-	-	(325,000,000)
Foreign currency revaluation	(33,093,390)	-	-	(33,093,390)
Amortization of premium	(31,242,235)	-	-	(31,242,235)
Balance at December 31	13,765,424,913	-	-	13,765,424,913
Debt investment securities at amortized cost				
Balance at January 1	1,138,759,769	-	-	1,138,759,769
New financial assets purchased	869,329,792	-	-	869,329,792
Maturities	(547,450,082)	-	-	(547,450,082)
Amortization of discount	56,394,573	-	-	56,394,573
Balance at December 31	1,517,034,052	-	-	1,517,034,052

4.3.9 Collateral Held as Security and Other Credit Enhancements

The Bank holds collateral against loans and advances to customers in the form of hold-out deposits, real estate mortgage, standby letters of credit or bank guaranty, government guaranty, chattel mortgage, assignment of receivables, pledge of equity securities, personal and corporate guaranty and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually.

Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of repurchase and securities borrowing arrangements. Collateral is not usually held against trading and investment securities, and no such collateral was held as of December 31, 2024 and 2023.

The estimated fair value of collateral and other security enhancements held against the loan portfolio as of December 31, 2024 and 2023 are presented below.

(Amounts in PHP)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
2024				
Real properties	98,632,466,804	20,848,593,637	12,831,144,009	132,312,204,450
Chattel	6,614,012,263	3,059,536,607	2,468,467,769	12,142,016,639
Hold-out deposits	8,844,482,264	143,076,444	148,190,038	9,135,748,746
	114,090,961,331	**24,051,206,688**	**15,447,801,816**	**153,589,969,835**
2023				
Real properties	88,340,626,527	14,621,341,606	10,080,639,091	113,042,607,224
Chattel	7,380,928,491	3,052,303,559	1,618,112,593	12,051,344,643
Hold-out deposits	3,836,091,701	127,259,499	107,342,973	4,070,694,173
	99,557,646,719	17,800,904,664	11,806,094,657	129,164,646,040

As of December 31, 2024 and 2023, the Bank has recognized certain properties arising from foreclosures in settlement of loan account amounting to P607.8 million and P427.6 million, respectively (see Note 13).

The Bank's manner of disposing of the collateral for impaired loans and receivables is normally through the sale of these assets after foreclosure proceedings have taken place. The Bank does not generally use the non-cash collateral for its own operations.

There were no changes in the Bank's collateral policies in 2024 and 2023.

4.3.10 Write-Offs

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include: cessation of enforcement activity; and, where the Bank's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off.

The Bank may write-off financial assets that are still subject to enforcement activity. The total financial assets written-off in 2024 and 2023 amounted to P520.1 million and P108.0 million, respectively (see Note 26). The Bank still seeks to recover amounts legally owed in full, but which have been partially written-off due to lack of reasonable expectation of full recovery.

4.3.11 Maximum Exposure to Credit Risk of Financial Instruments not Subject to Impairment

The following table contains analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e., FVTPL):

(Amounts in thousand PHP)	**2024**	2023
Government securities	**9,303,123,574**	5,088,833,858
Corporate debt securities	**870,645,051**	1,693,383,272
Derivative financial assets	**-**	119,988
	10,173,768,625	6,782,337,118

4.3.12 Sensitivity Analysis on ECL Measurement

Set out below are the changes in the Bank's ECL as of December 31, 2024 and 2023 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions.

(Amounts in PHP)		Impact on ECL Allowance		
		Change in MEV assumption +/-1%	**Increase in assumption**	**Decrease in assumption**
2024				
	Corporate Loans	PPP rate, CPI rate, Money supply, GWPI rate and Inflation rate	**7,296,161**	**(7,296,161)**
	Housing Loans	CPI rate and Money supply	**24,028**	**(24,028)**
	Auto Loans	Inflation rate and CPI rate	**17,106**	**(17,106)**
	Salary Loans	PPP, CPI rate and Inflation rate	**412,679**	**(412,679)**
2023				
	Corporate Loans	PPP rate, CPI rate, Money supply, GWPI rate and Inflation rate	38,455,724	(38,455,724)
	Housing Loans	CPI rate and Money supply	2,882,657	(2,882,657)
	Auto Loans	Inflation rate and CPI rate	1,070,512	(1,070,512)
	Salary Loans	CPI rate	5,850,446	(5,850,446)

4.4 Market Risk

The Bank's market risk exposure arises from adverse movements in interest rates and prices of assets that are either carried in the banking book or held as positions in the trading book (financial instruments), mismatches in the contractual maturity of its resources and liabilities, embedded optionality in the loans and deposits due to pre-terminations, and potential cash run offs arising from changes in the overall liquidity and funding conditions in the market.

Market risk related to the Bank's financial instruments includes foreign currency, interest rate and price risks.

(a) Foreign Currency Risk

The Bank manages its exposure to effects of fluctuations in the foreign currency exchange rates by maintaining foreign currency exposure within the existing regulatory guidelines and at a level that it believes to be relatively conservative for a financial institution engaged in that type of business.

The Bank's foreign currency exposure is primarily limited to the foreign currency deposits, which are sourced within the Philippines or generated from remittances by Filipino expatriates and overseas Filipino workers. Also, foreign currency trading with corporate accounts and other financial institutions is a source of foreign currency exposure for the Bank. At the end of each month, the Bank reports to the BSP on its acquisition and disposition of foreign currency resulting from its daily transactions.

The breakdown of the financial assets and financial liabilities as to foreign currency (translated into Philippine pesos) and Philippine peso-denominated balances as of December 31, 2024 and 2023 are presented below and in the succeeding page.

	2024		
(Amounts in thousands PHP)	**Foreign Currency**	**Philippine Peso**	**Total**
Financial Assets:			
Cash and other cash items	-	1,177,795	1,177,795
Due from BSP	-	2,881,094	2,881,094
Due from other banks	1,697,389	2,359,065	4,056,454
Trading and investment securities at:			
FVTPL	2,059,598	8,114,171	10,173,769
FVOCI	1,865,287	12,461,112	14,326,399
Amortized cost	728,847	541,502	1,270,349
Loans and other receivables – net	1,217,521	127,054,617	128,272,138
Other resources	82,379	57,562	139,941
	7,651,021	**154,646,918**	**162,297,939**
Financial Liabilities:			
Deposit liabilities	7,273,090	131,821,189	139,094,279
Bills payable	-	4,562,500	4,562,500
Accrued expenses and other liabilities	46,350	3,811,372	3,857,722
	7,319,440	**140,195,061**	**147,514,501**

(Amounts in thousands PHP)	2023 Foreign Currency	Philippine Peso	Total
Financial Assets:			
Cash and other cash items	-	1,316,781	1,316,781
Due from BSP	-	4,498,604	4,498,604
Due from other banks	1,679,002	2,491,278	4,170,280
Trading and investment securities at:			
FVTPL	2,488,817	4,293,520	6,782,337
FVOCI	2,118,359	11,647,066	13,765,425
Amortized cost	973,959	527,297	1,501,256
Loans and other receivables – net	727,476	116,836,460	117,563,936
Other resources	68,819	46,487	115,306
	8,056,432	141,657,493	149,713,925
Financial Liabilities:			
Deposit liabilities	7,655,681	119,063,035	126,718,716
Bills payable	-	4,750,000	4,750,000
Accrued expenses and other liabilities	8,164	4,481,268	4,489,432
	7,663,845	128,294,303	135,958,148

(b) *Interest Rate Risk*

Interest rate risk is the probability of decline in net interest earnings as a result of an adverse movement of interest rates.

In measuring interest rate exposure from an earnings perspective, the Bank calculates the Earnings at Risk (EAR) to determine the impact of interest rate changes on the Bank's accrual portfolio. The EAR is the potential decline in net interest income due to the adverse movement in interest rates. To quantify interest rate exposure, the statement of financial position is first classified into interest rate sensitive and non-interest rate sensitive asset and liability accounts and then divided into pre-defined interest rate sensitivity gap tenor buckets with corresponding amounts slotted therein based on the term to next re-pricing date (the re-pricing maturity for floating rate accounts) and remaining term to maturity (the equivalent re-pricing maturity for fixed rate accounts).The rate sensitivity gaps are calculated for each time band and on a cumulative basis. The gap amount for each bucket is multiplied by an assumed change in interest rate to determine EAR.

The rate sensitivity gaps are calculated for each time band and on a cumulative basis. The gap amount for each bucket is multiplied by an assumed change in interest rate to determine EAR. A negative interest rate sensitivity gap position implies that EAR increases with a rise in interest rates, while a positive interest rate sensitivity gap results in a potential decline in net interest rate income as interest rates fall. To supplement the EAR, the Bank regularly employs sensitivity analysis on the Bank's interest rate exposure.

To mitigate interest rate risk, the Bank follows a prudent policy on managing resources and liabilities so as to ensure that exposure to interest rate risk is kept within acceptable levels. The BOD has also approved the EAR Limit which is reviewed regularly.

The analyses of the groupings of resources, liabilities, capital funds and off-book financial position items as of December 31, 2024 and 2023 based on the expected interest realization or recognition are as follows:

	2024					
(Amounts in thousands PHP)	**Less than One Month**	**One to Three Months**	**Three Months to One Year**	**More than One Year**	**Non-rate Sensitive**	**Total**
Resources						
Cash and other cash items	-	-	-	-	1,177,795	1,177,795
Due from BSP	2,250,000	-	-	-	631,094	2,881,094
Due from other banks	313,834	-	-	-	3,742,620	4,056,454
Trading and investment securities	-	215	1,154,388	14,459,894	10,156,020	25,770,517
Loans and other receivables – net	84,254,505	13,942,762	7,556,133	22,518,738	-	128,272,138
Other resources*	-	-	-	-	5,833,668	5,833,668
Total Resources	86,818,339	13,942,977	8,710,521	36,978,632	21,541,197	167,991,666
Liabilities and Equity:						
Deposit liabilities	54,966,930	20,514,481	7,673,455	2,631,275	53,308,138	139,094,279
Bills payable	4,500,000	62,500	-	-	-	4,562,500
Accrued expenses and other liabilities	35,144	34,969	124,223	-	4,780,059	4,974,395
Total Liabilities	59,502,074	20,611,950	7,797,678	2,631,275	58,088,197	148,631,174
Equity	-	-	-	-	19,360,492	19,360,492
Total Liabilities and Equity	59,502,074	20,611,950	7,797,678	2,631,275	77,448,689	167,991,666
On-books Gap	27,316,265	(6,668,973)	912,843	34,347,357	(55,907,492)	-
Cumulative On-books Gap	27,316,265	20,647,292	21,560,135	55,907,492	-	-
Contingent Resources	-	-	-	-	-	-
Contingent Liabilities	-	-	-	-	-	-
Off-books Gap	-	-	-	-	-	-
Net Periodic Gap	27,316,265	(6,668,973)	912,843	34,347,357	(55,907,492)	-
Cumulative Total Gap	**27,316,265**	**20,647,292**	**21,560,135**	**55,907,492**	**-**	**-**

** Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.*

(Amounts in thousands PHP)	2023 Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Non-rate Sensitive	Total
Resources						
Cash and other cash items	-	-	-	-	1,316,781	1,316,781
Due from BSP	3,700,000	-	-	-	798,604	4,498,604
Due from other banks	668,925	-	-	-	3,501,355	4,170,280
Trading and investment securities	34,990	249,594	1,137,680	13,862,509	6,764,245	22,049,018
Loans and other receivables – net	77,025,795	18,207,159	8,727,272	19,126,382	(5,522,672)	117,563,936
Other resources*	-	-	-	-	4,815,835	4,815,835
Total Resources	81,429,710	18,456,753	9,864,952	32,988,891	11,674,148	154,414,454
Liabilities and Equity:						
Deposit liabilities	40,362,989	20,477,993	10,140,059	2,770,018	52,967,657	126,718,716
Bills payable	-	3,500,000	1,250,000	-	-	4,750,000
Accrued expenses and other liabilities	326,500	-	-	-	4,604,775	4,931,275
Total Liabilities	40,689,489	23,977,993	11,390,059	2,770,018	57,572,432	136,399,991
Equity	-	-	-	-	18,014,463	18,014,463
Total Liabilities and Equity	40,689,489	23,977,993	11,390,059	2,770,018	75,586,895	154,414,454
On-books Gap	40,740,221	(5,521,240)	(1,525,107)	30,218,873	(63,912,747)	-
Cumulative On-books Gap	40,740,221	35,218,981	33,693,874	63,912,747	-	-
Contingent Resources	-	-	-	-	-	-
Contingent Liabilities	-	-	-	-	-	-
Off-books Gap	-	-	-	-	-	-
Net Periodic Gap	40,740,221	(5,521,240)	(1,525,107)	30,218,873	(63,912,747)	-
Cumulative Total Gap	40,740,221	35,218,981	33,693,874	63,912,747	-	-

** Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.*

(c) Price Risk

In measuring the magnitude of exposures related to the Bank's trading portfolio arising from holding of government and other debt securities, the Bank employs VaR methodology. VaR is an estimate of the amount of loss that a given risk exposure is unlikely to exceed during a given time period, at a given level of statistical confidence. Analytically, VaR is the product of: (a) the sensitivity of the market value of the position to movement of the relevant market risk factors, and (b) the volatility of the market risk factor for the given time horizon at a specified level of statistical confidence. Typically, the Bank uses a 99% confidence level for this measurement, i.e., losses could exceed the VaR in one out of 100 trading days.

In calculating the severity of the market risk exposure for fixed income securities, the Bank takes into account the cash flow weighted term or modified duration of the securities comprising the portfolio, the yield to maturity, and mark-to-market value of the component securities position in the trading book. As the VaR methodology requires a minimum historical period of reckoning with market movements from a transparent discovery platform, the Bank uses yield and price data from Bloomberg in the calculation of the volatility of rates of return and security prices, consistent with BSP valuation guidelines.

In assessing market risk, the Bank scales the calculated VaR based on assumed defeasance or holding periods that range from one day and ten days consistent with best practices and BSP standards.

As a prudent market risk control and compliance practice, the BOD has approved a market risk limit system which includes: (i) VaR limit on a per instrument and portfolio; (ii) loss limit on per investment portfolio, (iii) off-market rate limits on per instrument type; and (iv) holding period for investment securities.

In recognition of the limitations of VaR related to the assumptions on which the model is based, the Bank supplements the VaR with a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position.

The following table shows the VaR position and ranges of the Bank's financial assets at FVTPL and at FVOCI portfolios as of December 31:

(Amounts in thousands PHP)	**2024**	2023
VaR Position:		
Financial assets at FVTPL	**10,173,769**	6,782,337
Financial assets at FVOCI	**14,326,399**	13,759,351
VaR Position:		
Minimum	**126,983**	111,809
Maximum	**192,037**	189,042
Average	**160,141**	142,355

Stress test on the December 31, 2024 and 2023 portfolio shows the potential impact on profit and capital funds of parallel increase in interest rates of financial assets at FVTPL and at FVOCI as follows:

(Amounts in thousands PHP)

	2024			
	Current Market	**Sensitivities**		
Currency	**Value**	+100 bps	+300 bps	+500 bps
Philippine peso	20,575,283	(986,045)	(2,958,134)	(4,930,224)
US dollar	3,924,885	(430,626)	(1,291,878)	(2,153,131)
Total	**24,500,168**	**(1,416,671)**	**(4,250,012)**	**(7,083,355)**

	2023			
	Current Market	Sensitivities		
Currency	Value	+100 bps	+300 bps	+500 bps
Philippine peso	15,934,511	(681,555)	(2,044,664)	(3,407,773)
US dollar	4,607,177	(410,826)	(1,232,479)	(2,054,131)
Total	20,541,688	(1,092,381)	(3,277,143)	(5,461,904)

(d) *Liquidity Risk*

Liquidity risk is the risk to income and capital as a result of the Bank failing its commitment for funds as they fall due. The Bank manages its liquidity risk through the management's monitoring of various liquidity ratios, Treasury's weekly and regular assessment of liquidity gaps, and the maturity ladder.

A maturity ladder relates the inflows to outflows of funds at selected maturity dates and is constructed to measure liquidity exposure. The ladder shows the Bank's statement of financial position distributed into tenor buckets across the term structure on the basis of the term to final maturity or cash flow dates. The amount of net inflows which equals the difference between the amounts of contractually maturing assets (inflows) and liabilities (outflows) is computed per tenor bucket and on a cumulative basis incorporating certain behavioral and hypothetical assumptions regarding the flows from assets and liabilities including contingent commitments over time. The calculated periodic and cumulative gaps constitute the Bank's run off schedule, which indicate the Bank's net funding requirements in local and foreign currency.

To control liquidity gap risks, a quantitative ceiling to the net outflow of funds of the Bank called Maximum Cumulative Outflow (MCO) limit is observed per currency based on the recommendation of management, which model and assumptions are reviewed by the Asset and Liability Committee (ALCO) and the ROC prior to the confirmation by the BOD.

The analysis of the cash flow gap analysis of resources, liabilities, capital funds and off-book financial position items as of December 31, 2024 and 2023 are presented below and in the succeeding page.

	2024				
(Amounts in thousands PHP)	**Less than One Month**	**One to Three Months**	**Three Months to One Year**	**More than One Year**	**Total**
Resources					
Cash and other cash items	1,177,795	-	-	-	1,177,795
Due from BSP	2,250,000	-	-	631,094	2,881,094
Due from other banks	4,056,454	-	-	-	4,056,454
Trading and investment securities	10,174,032	215	1,154,388	14,441,882	25,770,517
Loans and other receivables – net	4,725,168	6,052,119	16,841,290	100,653,561	128,272,138
Other resources*	3,512,817	825	3,572	2,316,454	5,833,668
Total Resources	25,896,266	6,053,159	17,999,250	118,042,991	167,991,666
Liabilities and Equity:					
Deposit liabilities	13,987,179	3,635,835	5,860,108	115,611,157	139,094,279
Bills payable	4,500,000	62,500	-	-	4,562,500
Accrued expenses and other liabilities	2,977,942	1,414,009	582,444	-	4,974,395
Total Liabilities	21,465,121	5,112,344	6,442,552	115,611,157	148,631,174
Equity	-	-	-	19,360,492	19,360,492
Total Liabilities and Equity	21,465,121	5,112,344	6,442,552	134,971,649	167,991,666
On-books Gap	4,431,145	940,815	11,556,698	(16,928,658)	-
Cumulative On-books Gap	4,431,145	5,371,960	16,928,658	-	-
Contingent Resources	-	-	-	-	
Contingent Liabilities	198,690	11,442	-	-	210,132
Off-books Gap	(198,690)	(11,442)	-	-	(210,132)
Net Periodic Gap	4,232,455	929,373	11,556,698	(16,928,658)	(210,132)
Cumulative Total Gap	**4,232,455**	**5,161,828**	**16,718,526**	**(210,132)**	**-**

** Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.*

	2023				
(Amounts in thousands PHP)	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Total
Resources					
Cash and other cash items	1,316,781	-	-	-	1,316,781
Due from BSP	3,700,000	-	-	798,604	4,498,604
Due from other banks	4,170,280	-	-	-	4,170,280
Trading and investment securities	6,842,650	249,594	1,137,680	13,819,094	22,049,018
Loans and other receivables – net	7,340,976	5,715,087	15,521,436	88,986,437	117,563,936
Other resources*	3,547,606	1,127	4,777	1,262,325	4,815,835
Total Resources	26,918,293	5,965,808	16,663,893	104,866,460	154,414,454
Liabilities and Equity:					
Deposit liabilities	12,164,557	3,796,086	6,927,853	103,830,220	126,718,716
Bills payable	-	3,500,000	1,250,000	-	4,750,000
Accrued expenses and other liabilities	3,273,825	1,596,507	60,943	-	4,931,275
Total Liabilities	15,438,382	8,892,593	8,238,796	103,830,220	136,399,991
Equity	-	-	-	18,014,463	18,014,463
Total Liabilities and Equity	15,438,382	8,892,593	8,238,796	121,844,683	154,414,454
On-books Gap	11,479,911	(2,926,785)	8,425,097	(16,978,223)	-
Cumulative On-books Gap	11,479,911	8,553,126	16,978,223	-	-
Contingent Resources	-	-	-	-	-
Contingent Liabilities	-	-	-	-	-
Off-books Gap	-	-	-	-	-
Net Periodic Gap	11,479,911	(2,926,785)	8,425,097	(16,978,223)	-
Cumulative Total Gap	11,479,911	8,553,126	16,978,223	-	-

** Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.*

The MCO measures the maximum funding requirement the Bank may need to support its maturing obligations. To ensure that the Bank maintains a prudent and manageable level of cumulative negative gap, the Bank maintains a pool of highly liquid assets in the form of tradable investment securities. Moreover, the BOD has approved the MCO Limits which reflect the Bank's overall appetite for liquidity risk exposure. This limit is reviewed every year. Compliance with MCO Limits is monitored and reported to the BOD and senior management. In case of breach in the MCO Limit, the Risk Management Center elevates the concern to the BOD through the ROC for corrective action.

Additional measures to mitigate liquidity risks include reporting of funding concentration, short-term liquidity reporting, available funding sources, and liquid assets analysis.

More frequent analysis of projected funding sources and requirements as well as pricing strategies is discussed thoroughly during the weekly ALCO meetings.

Pursuant to applicable BSP regulations, the Bank is required to maintain reserves against deposit liabilities which are based on certain percentages of deposits. The required reserves against deposit liabilities shall be kept in the form of deposits placed in the Bank's demand deposit accounts with the BSP. The BSP also requires the Bank to maintain asset cover of 100% for foreign currency-denominated liabilities of its FCDU.

4.4.1 Foreign Currency Liquidity Management

The liquidity risk management policies and objectives described also apply to the management of any foreign currency to which the Bank maintains significant exposure. Specifically, the Bank ensures that its measurement, monitoring, and control systems account for these exposures as well. The Bank sets and regularly reviews limits on the size of the cash flow mismatches for each significant individual currency and in aggregate over appropriate time horizons. The Bank also assesses its access to foreign exchange markets when setting up its risk limits.

4.4.2 Liquidity Risk Stress

To augment the effectiveness of the Group's gap analysis, the Group regularly assesses liquidity risk based on behavioral and hypothetical assumptions under stress conditions. Survivability and resilience of the Bank are assessed for a minimum stress period of 30 days for all crisis scenarios enumerated in BSP Circular No. 981, *Guidelines on Liquidity Risk Management*. The results of these liquidity stress simulations are reported monthly to ALCO and ROC.

4.5 Operational Risk

Operational risks are risks arising from the potential inadequate information systems and systems, operations, or transactional problems (relating to service or product delivery), breaches in internal controls, fraud, or unforeseen catastrophes that may result in unexpected loss.

Operational risks include the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

The ROC of the Bank assists management in meeting its responsibility to understand and manage operational risk exposures.

The ROC applies a number of techniques to efficiently manage operational risks. Among these are enumerated as follows:

- each major business line has an embedded operational risk management officer who acts as a point person for the implementation of various operational risk tools. The operational risk officers attend annual risk briefings conducted by the ROC to keep them up to date with different operational risk issues, challenges and initiatives.

- with ROC's bottom-up self-assessment process, which is conducted at least annually, areas with high-risk potential are highlighted and reported, and control measures are identified. The results of said self-assessment exercise also serve as one of the inputs in identifying specific key risk indicators (KRIs).

- KRIs are used to monitor the operational risk profile of the Bank and of each business unit and alert the management of impending problems in a timely fashion.

- internal loss information is collected, reported, and utilized to model operational risk.

- the ROC reviews product and operating manuals, policies, procedures, and circulars, thus allowing the embedding of desired operational risk management practices in all business units.

(a) *Reputational Risk*

Reputation risk is the risk to earnings or capital arising from negative public opinion. This affects the Bank's ability to establish new relationships or services, or to continue servicing existing relationships. This risk can expose the Bank to litigation, financial loss, or damage to its reputation. Reputation risk arises whenever technology-based banking products, services, delivery channels or processes may generate adverse public opinion such that it seriously affects the Bank's earnings or impairs its capital. This risk is present in activities such as asset management and regulatory compliance.

The Bank adopted a reputation risk monitoring and reporting framework to manage public perception.

(b) *Legal Risk and Regulatory Risk Management*

Changes in laws and regulations and fiscal policies could adversely affect the Bank's operations and financial reporting. In addition, the Bank faces legal risks in enforcing its rights under its loan agreements, such as foreclosing of collateral. Legal risk is higher in new areas of business where the law remains untested by the courts. The Bank uses a legal review process as the primary control mechanism for legal risk. Such a legal review aims to verify and validate the existence, genuineness, and due execution of legal documents, and verify the capacity and authority of counterparties and customers to enter into transactions.

In addition, the Bank seeks to minimize its legal risk by using stringent legal documentation, imposing certain requirements designed to ensure that transactions are properly authorized, and consulting internal and external legal advisors.

Regulatory risk refers to the potential for the Bank to suffer financial loss due to changes in the laws or monetary, tax or other governmental regulations of the country. The Bank's Compliance Program, the design and implementation of which is overseen and coordinated by the Compliance Officer, is the primary control process for regulatory risk issues. The Compliance Office is committed to safeguarding the integrity of the Bank by maintaining a high level of regulatory compliance.

The Compliance Office is responsible for communicating and disseminating new rules and regulations to all units, assessing and addressing identified compliance issues, performing periodic compliance testing on branches and head office units, and reporting compliance findings to the Corporate Governance and the BOD.

4.6 Anti-Money Laundering Controls

The Anti-Money Laundering Act (AMLA) or RA No. 9160 was passed in September 2001 and was amended by RA No. 9194, RA No. 10167, RA No. 10365, RA No. 10927 and RA No. 11521, in March 2003, June 2012, February 2013, June 2016 and July 2020 (which effected in February 2021), respectively. Under the AMLA, as amended, the Bank is required to submit "Covered Transaction Reports" to the Anti-Money Laundering Council (AMLC) involving single transactions in cash or other equivalent monetary instruments in excess of P0.5 million within one banking day, exceeding P1.0 million for transactions (in cash or other equivalent monetary instrument) with or involving jewelry dealers, dealers in precious metals/precious stones; exceeding P5.0 million for casino cash transactions; and exceeding P7.5 million for cash transaction with or involving real estate developers or brokers.

The Bank is also required to submit "Suspicious Transaction Reports" to the AMLC in the event that circumstances exist and there are reasonable grounds to believe that the transaction is suspicious. Furthermore, terrorist financing was criminalized in RA No. 10168. In addition, the AMLA requires that the Bank safe keeps, as long as the account exists, all the Know Your Customer (KYC) documents involving its clients, including documents that establish and record the true and full identity of its clients. Likewise, transactional documents must be maintained and stored for five years from the date of the transaction.

In cases involving closed accounts, the KYC documents must be kept for five years after their closure. Meanwhile, all records of accounts with court cases must be safe kept until there is a final resolution.

On January 27, 2011, BSP Circular No. 706 was implemented superseding all policies on AMLA. The Circular requires the Bank to adopt a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MTPP) designed according to the covered institution's corporate structure and risk profile.

In an effort to further prevent money laundering activities, the Bank revised its KYC policies and guidelines in order to comply with the aforementioned Circular. Under the guidelines, each business unit is required to validate the true identity of a customer based on official or other reliable identifying documents or records before an account may be opened. Likewise, the Bank is required to conduct watchlist screening and risk profile its clients to Low, Normal or High with its corresponding due diligence of Reduced, Average or Enhanced, in compliance with the risk-based approach mandated by the Circular. Decisions to enter into a business relationship with a high-risk customer require senior management approval.

The Bank's procedures for compliance with the AMLA are set out in its MTPP. The Bank's Chief Compliance Officer, through the Anti-Money Laundering Unit and Compliance Testing Unit, monitors AMLA compliance and conducts regular compliance testing of business units.

All banking units are required to submit to the Compliance Office certificates of compliance with the applicable banking laws, rules, regulations and standards including the Anti-Money Laundering Rules and Regulations on a quarterly basis.

The Chief Compliance Officer regularly reports to the Board through the Corporate Governance Committee the results of their monitoring of AMLA compliance.

5. CAPITAL MANAGEMENT AND BSP REPORTING COMPLIANCE

5.1 Capital Management and Regulatory Capital

The Bank's lead regulator, the BSP, sets and monitors capital requirements for the Bank. In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed ratio of qualifying capital to risk-weighted assets. PBB, being a stand-alone thrift bank, is required under BSP regulations to comply with Basel 1.5. Under this regulation, the qualifying capital account of the Bank should not be less than an amount equal to 10% of its risk weighted assets.

The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio consists of Tier 1 capital plus Tier 2 capital elements net of the required deductions from capital such as:

(a) unbooked valuation reserves and other capital adjustments as may be required by the BSP;
(b) total outstanding unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI);
(c) deferred tax asset net of deferred tax liability;
(d) goodwill;
(e) sinking fund for redemption of redeemable preferred shares; and,
(f) other regulatory deductions.

Risk weighted assets is the sum of the Bank's credit risk weighted assets, operational risk weighted assets, and market risk weighted assets. The latter was due to the Bank's authority to engage in derivatives as end-user under a Type 3 Limited End-User Authority. Risk weighted assets are computed using the standardized approach for credit and market risks while basic indicator approach with modification was used for operational risk.

The following are the risk-based capital adequacy of the Bank as of December 31, 2024, 2023 and 2022 as reported to the BSP:

(Amounts in millions PHP)	**2024**	2023	2022
Net Tier 1 Capital	**16,827**	15,557	14,710
Tier 2 Capital	**1,272**	1,144	893
Total Qualifying Capital	**18,099**	16,701	15,603
Net Tier 1 Capital	**16,827**	15,557	14,710
Preferred Shares	**(620)**	(620)	(620)
Common Equity Tier 1 Capital	**16,207**	14,937	14,090
Risk Weighted Assets:			
Credit Risk Weighted Assets	**126,680**	113,928	101,812
Operational Risk Weighted Assets	**9,634**	9,162	8,793
Market Risk Weighted Assets	**6,615**	3,942	2,015
Total Risk-Weighted Assets	**142,929**	127,032	112,620
Capital ratios:			
Total qualifying capital expressed as percentage of total risk-weighted assets	**12.7%**	13.1%	13.9%
Common Equity Tier 1 capital expressed as percentage of total risk-weighted assets	**11.3%**	11.8%	12.5%
Capital Conservation Buffer expressed as Common Equity Tier 1 capital minus 6	**5.3%**	5.8%	6.5%
Net Tier 1 capital expressed as percentage of total risk-weighted assets	**11.8%**	12.2%	13.1%

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

The Bank's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

A bank's regulatory capital is analyzed into two tiers, which are Tier 1 Capital plus Tier 2 Capital less deductions from the total of Tier 1 and Tier 2 capital equivalent to 50% of the following:

(a) Investments in equity of unconsolidated subsidiary banks and other financial allied undertakings, but excluding insurance companies;

(b) Investments in debt capital instruments of unconsolidated subsidiary banks;

(c) Investments in equity of subsidiary insurance companies and non-financial allied undertakings;

(d) Reciprocal investments in equity of other banks/enterprises; and,

(e) Reciprocal investments in unsecured subordinated term debt instruments of other banks/quasi-banks qualifying as Hybrid Tier 1, Upper Tier 2 and Lower Tier 2, in excess of the lower of (i) an aggregate ceiling of 5% of total Tier 1 capital of the bank excluding Hybrid Tier 1; or (ii) 10% of the total outstanding unsecured subordinated term debt issuance of the other bank/quasi-banks.

Provided, that any asset deducted from the qualifying capital in computing the numerator of the risk-based capital ratio shall not be included in the risk-weighted assets in computing the denominator of the ratio.

As of December 31, 2024 and 2023, the Bank has no exposure in item (a) to item (e) above. There were no material changes in the Bank's management of capital during the current year.

As of December 31, 2024 and 2023, the Bank has satisfactorily complied with the capital-to-risk assets ratio.

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regular net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS Accounting Standards in some aspects (mainly in the recognition of deferred tax assets). Thrift banks with head offices in the National Capital Region and having more than 50 branches are required to comply with the minimum capital requirement of P2.0 billion. The Bank has complied with the minimum capital requirement at the end of each reporting period.

5.2 Minimum Liquidity Ratio

On February 8, 2018, the BSP issued Circular No. 996, *Amendments to the Liquidity Coverage Ratio Framework for Stand-Alone Thrift Banks, Rural Banks, Cooperative Banks, and Quasi-Banks*, which provide guidance on and prescribes the prudential requirement for covered institutions to maintain eligible stock of liquid assets proportionate to the level of total qualifying liabilities (i.e., both on and off-balance sheet liabilities). Eligible liquid assets shall include cash and other liquid assets that are immediately liquefiable and free from encumbrances.

The minimum liquidity ratio (MLR) of 20% shall be complied with on an ongoing basis absent a period of financial stress effective January 1, 2019. However, the Bank was only able to comply with the MLR requirement starting June 2019.

On April 7, 2020, the BSP issued Memorandum No. M-2020-020, *Reduction in the Minimum Liquidity Ratio in Response to Covid-19*, which reduced the MLR for stand-alone thrift banks, rural banks and cooperative banks from 20% to 16% until December 31, 2020. On December 1, 2020, the BSP issued an extension on the effectivity of the temporary reduction of MLR thru Memorandum No. M-2020-085 until December 31, 2021. Furthermore, Memorandum No. M-2022-004, *Extension of BSP Prudential Relief Measures*, further extended the reduction of MLR to 16% for stand-alone thrift banks, rural banks and cooperative banks until December 31, 2022.

The Bank's MLR are analyzed below (amounts in millions PHP except MLR figure).

	2024	2023
Eligible stock liquid assets	**32,698**	33,716
Total qualifying liabilities	**142,438**	130,534
MLR	**22.96%**	25.83%

5.3 Leverage Ratio

On June 9, 2015, the BSP issued Circular No. 881, *Implementing Guidelines on the Based III Leverage Ratio Framework*, which provides the implementing guidelines on the leverage ratio framework designed to act as a supplementary measure to the risk-based capital requirements. It sets out a minimum leverage ratio of 5.00% and shall be complied with at all times. The Basel III leverage ratio is defined as the ratio of capital measure (Tier 1 Capital) and the exposure measure which includes on-balance sheet and securities financing transactions exposures and off-balance sheet items.

Details of leverage ratio computation, which is consistent with the requirements of BSP, are presented below.

(Amounts in millions PHP)	**2024**	2023
Tier 1 Capital	**16,827**	15,557
Exposure measure	**168,949**	155,718
Leverage ratio	**9.96%**	9.99%

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Amounts and Fair Values by Category

The following table summarizes the carrying values and fair values of the financial assets and financial liabilities in the statements of financial position:

(Amounts in PHP)	Notes	Carrying Values	Fair Values
December 31, 2024:			
Financial Assets			
At amortized cost:			
Cash and other cash items	9	1,177,794,637	1,177,794,637
Due from BSP	9	2,881,093,706	2,881,093,706
Due from other banks	9	4,056,453,936	4,056,453,936
Investment securities – net	10.3	1,270,349,150	1,269,982,358
Loans and other receivables – net	11	128,272,138,050	118,743,875,450
Other resources	14	139,941,203	139,941,203
At fair value:			
FVTPL securities	10.1	10,173,768,625	10,173,768,625
FVOCI securities	10.2	14,326,399,293	14,326,399,293
		162,297,938,600	**152,769,309,208**
Financial Liabilities			
At amortized cost:			
Deposit liabilities	15	139,094,278,870	138,404,045,657
Bills payable	16	4,562,500,000	4,562,500,000
Accrued expenses and other liabilities	17	1,919,671,854	1,919,671,854
		145,576,450,724	**144,886,217,511**
December 31, 2023:			
Financial Assets			
At amortized cost:			
Cash and other cash items	9	1,316,780,680	1,316,780,680
Due from BSP	9	4,498,604,149	4,498,604,149
Due from other banks	9	4,170,280,397	4,170,280,397
Investment securities – net	10.3	1,501,256,354	1,515,962,260
Loans and other receivables – net	11	117,563,935,794	107,784,973,020
Other resources	14	115,306,118	115,306,118
At fair value:			
FVTPL securities	10.1	6,782,337,118	6,782,337,118
FVOCI securities	10.2	13,765,424,913	13,765,424,913
		149,713,925,523	139,949,668,655
Financial Liabilities			
At amortized cost:			
Deposit liabilities	15	126,718,716,017	126,285,789,022
Bills payable	16	4,750,000,000	4,732,009,335
Accrued expenses and other liabilities	17	4,275,572,005	4,275,572,005
		135,744,288,022	135,293,370,362

The Bank concluded that the carrying amounts of foregoing financial assets and financial liabilities, other than loans and other receivables and deposit liabilities, which are measured at amortized cost, approximate the fair values either because those instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material. The fair value information disclosed for the Bank's debt securities is determined based on the procedures and methodologies discussed in Note 7.2.

6.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets, presented in the statements of financial position at gross amounts, are covered by enforceable master netting arrangements and similar agreements:

(Amounts in PHP)	Gross amounts recognized in the statements of financial position	Related accounts not set-off in the statements of financial position		Net amount
		Financial instruments	Collateral received	
December 31, 2024				
Trading and investment securities – at FVOCI	**14,326,399,293**	**(4,054,700,000)**	**-**	**10,271,699,293**
Loans and receivables – net	**128,272,138,050**	**(9,135,748,746)**	**-**	**119,136,389,304**
December 31, 2023				
Trading and investment securities – at FVOCI	13,765,424,913	(3,650,000,000)	-	10,115,424,913
Loans and receivables – net	117,563,935,794	(4,070,694,173)	-	113,493,241,621

The following financial liabilities, presented in the statements of financial position at gross amounts, are covered by enforceable master netting arrangements and similar agreements:

(Amounts in PHP)	Gross amounts recognized in the statements of financial position	Related accounts not set-off in the statements of financial position		Net amount
		Financial instruments	Collateral received	
December 31, 2024				
Deposit liabilities	**139,094,278,870**	**(9,135,748,746)**	**-**	**129,958,530,124**
Bills payable	**4,562,500,000**	**(4,351,700,000)**	**-**	**210,800,000**
December 31, 2023				
Deposit liabilities	126,718,716,017	(4,070,694,173)	-	122,648,021,844
Bills payable	4,750,000,000	(4,600,000,000)	-	150,000,000

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Bank and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS Accounting Standards, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument, which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Bank uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

7.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Bank's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2024 and 2023.

(Amounts in millions PHP)	Level 1	Level 2	Level 3	Total
December 31, 2024				
Financial assets at FVTPL				
Government securities	4,467	4,836	-	9,303
Corporate debt securities	226	645	-	871
	4,693	**5,481**	**-**	**10,174**
Financial assets at FVOCI				
Government securities	2,215	11,253	-	13,468
Corporate debt securities	-	858	-	858
	2,215	**12,111**	**-**	**14,326**
December 31, 2023				
Financial assets at FVTPL				
Government securities	1,732	3,357	-	5,089
Corporate debt securities	-	1,693	-	1,693
	1,732	5,050	-	6,782
Financial assets at FVOCI				
Government securities	3,470	9,353	-	12,823
Corporate debt securities	-	942	-	942
	3,470	10,295	-	13,765

Derivative financial assets are categorized within Level 2 and are determined through valuation techniques using the net present value computation.

The fair value of the debt securities of the Bank is determined as follows:

(a) Fair values of peso-denominated government debt securities issued by the Philippine government, are determined based on the reference price per Bloomberg which used BVAL. These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithms of direct observations or observed comparables; hence, categorized as Level 1 or 2.

(b) Fair values of actively traded corporate debt securities are determined based on their market prices quoted in the Philippine Dealing Holdings System or based on the direct reference price per Bloomberg or observed comparables at the end of each reporting period; hence, categorized within Level 1 or Level 2.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

7.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table in the succeeding page summarizes the fair value hierarchy of the Bank's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

(Amounts in millions PHP)	Level 1	Level 2	Level 3	Total
December 31, 2024				
Financial Assets				
Cash and other cash items	1,178	-	-	1,178
Due from BSP	2,881	-	-	2,881
Due from other banks	4,056	-	-	4,056
Investment securities – net	-	1,270	-	1,270
Loans and other receivables – net	500	-	118,244	118,744
Other financial assets	82	-	58	140
	8,697	**1,270**	**118,302**	**128,269**
Financial Liabilities				
Deposit liabilities	-	-	138,404	138,404
Bills payable	4,563	-	-	4,563
Accrued expenses and other liabilities	-	-	1,920	1,920
	4,563	**-**	**140,324**	**144,887**
December 31, 2023				
Financial Assets				
Cash and other cash items	1,317	-	-	1,317
Due from BSP	4,499	-	-	4,499
Due from other banks	4,170	-	-	4,170
Investment securities – net	311	1,205	-	1,516
Loans and other receivables – net	4,993	-	102,792	107,785
Other financial assets	69	-	46	115
	15,359	1,205	102,838	119,402
Financial Liabilities				
Deposit liabilities	-	-	126,286	126,286
Bills payable	4,732	-	-	4,732
Accrued expenses and other liabilities	-	-	4,276	4,276
	4,732	-	130,562	135,294

The fair values of financial assets and financial liabilities not presented at fair value in the statements of financial position are determined as follows:

(a) *Cash and Other Cash Items*

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers, including automated teller machines (see Note 9). Other cash items include cash items other than currency and coins on hand (see Note 14) such as checks drawn on the other banks or other branches that were received after the Bank's clearing cut-off time until the close of the regular banking hours. Carrying amounts approximate fair values in view of the relatively short-term maturities of these instruments.

(b) *Due from BSP and Other Banks and SPURRA*

Due from BSP pertains to deposits made by the Bank to BSP for clearing and reserve requirements while SPURRA pertains to loans and receivables from BSP arising from overnight lending from excess liquidity. Due from other banks includes interbank deposits and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

(c) *Investment Securities at Amortized Cost*

The fair value of investment securities at amortized cost consisting of government securities and corporate debt securities is determined based on reference prices appearing in Bloomberg and PDS. The fair value of these securities are categorized within Level 1 and Level 2 of the fair value hierarchy using BVAL and PDS reference rates, which are derived using an approach based on a combined sequence of algorithms of direct observations and/or observed comparables, hence, categorized as Level 1 or 2.

(d) *Loans and Other Receivables, except SPURRA*

Loans and other receivables are net of impairment losses. The estimated fair value of loans and other receivables represents the discounted amount of estimated future cash flows expected to be received. Long-term interest-bearing loans are periodically repriced at interest rates equivalent to the current market rates, to determine fair value.

(e) *Other Financial Assets*

Other financial assets pertain to foreign currency notes and coins, security deposits and petty cash fund which are included in the Other Resources account. Due to their short duration, the carrying amounts of these items in the statements of financial position are considered to be reasonable approximation of their fair values.

(f) Deposits Liabilities and Borrowings

The estimated fair value of deposits with no stated maturity, which includes noninterest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without a quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amount of short-term bills payable approximate their fair values. For corporate notes payable categorized within Level 3, fair value is determined based on their discounted amount of estimated future cash flows expected to be received or paid or based on their cost which management estimates to approximate their fair values.

(g) Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities classified as financial liabilities are recognized initially at their fair value and subsequently measured at amounts to which they are to be paid. Due to their short duration, management ascertained that the fair values of these short-term liabilities approximate their carrying values.

7.4 Fair Value Measurement of Investment Properties Carried at Cost

The total estimated fair values of the Bank's investment properties, categorized under Level 3 of the fair value hierarchy amount to P3,039.7 million and P2,153.5 million as of December 31, 2024 and 2023, respectively (see Note 13).

The fair value of these investment properties was determined based on the following approaches:

(a) Fair Value Measurement for Land

The Level 3 fair value of land was derived using observable recent prices of the reference properties adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value. On the other hand, if fair value of the land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations, fair value is included in Level 2. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property, minor adjustments on the price are made to consider peculiarities of the property with that of the benchmark property.

(b) Fair Value Measurement for Building and Improvements

The Level 3 fair value of the buildings and improvements included in Investment Properties was determined using the replacement cost approach that reflects the cost to a market participant to construct an asset of comparable usage, constructions standards, design and lay-out, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance, and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2024 and 2023.

8. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing the performance of the operating segments.

In identifying its operating segments, management generally follows the Bank's products and services. The Bank's main operating businesses are organized and managed separately according to the nature of services and products provided and the different markets served, with each segment representing a strategic business unit as each of these services requires different technologies and resources as well as marketing approaches. These are also the basis of the Bank in reporting to its chief operating decision-maker for its strategic decision-making activities.

Management currently identifies the Bank's three service lines as primary operating segments.

(a) *Consumer Banking* – includes auto financing, home financing, and salary or personal loans;

(b) *Corporate Banking* – includes term loans, working capital credit lines, bills purchase and discounting lines; and,

(c) *Treasury Operations* – manages liquidity of the Bank and is a key component in revenue and income generation through its trading and investment activities.

The measurement policies of the Bank used for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements. In addition, corporate resources which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

These segments are the basis on which the Bank reports its segment information. Transactions between the segments are on normal commercial terms and conditions.

Segment revenues and expenses that are directly attributable to primary operating segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that operating segment are accordingly reflected as revenues and expenses of that operating segment.

Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis. In addition, corporate resources which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There were no changes in the Bank's operating segments in 2024 and 2023.

8.1 Analysis of Primary Segment Information

The contribution of these various business activities to the Bank's revenues and income for the years 2024, 2023 and 2022 are as follows:

(Amounts in millions PHP)	Consumer	Corporate	Treasury	Total
2024				
Net interest and other income				
From external customers				
Interest income	751	8,502	1,379	10,632
Interest expense	(280)	(3,173)	(515)	(3,968)
Net interest income	471	5,329	864	6,664
Non-interest income	-	268	398	666
	471	5,597	1,262	7,330
Expenses				
Operating expenses excluding depreciation and amortization	193	3,079	460	3,732
Impairment losses	77	882	-	959
Depreciation and amortization	24	271	80	375
	294	4,232	540	5,066
Segment operating income	**177**	**1,365**	**722**	**2,264**
Total resources and liabilities				
Total resources	**10,723**	**120,449**	**35,372**	**166,544**
Total liabilities	**9,484**	**107,154**	**31,604**	**148,242**
2023				
Net interest and other income				
From external customers				
Interest income	588	7,574	1,134	9,296
Interest expense	(182)	(2,341)	(351)	(2,874)
Net interest income	406	5,233	783	6,422
Non-interest income	37	477	250	764
	443	5,710	1033	7,186
Expenses				
Operating expenses excluding depreciation and amortization	195	2,655	768	3,618
Impairment losses	76	977	-	1,053
Depreciation and amortization	19	251	86	356
	290	3,883	854	5,027
Segment operating income	153	1,827	179	2,159
Total resources and liabilities				
Total resources	8,216	112,054	32,409	152,679
Total liabilities	7,075	96,489	32,836	136,400

(Amounts in millions PHP)	Consumer	Corporate	Treasury	Total
2022				
Net interest and other income				
From external customers				
Interest income	501	5,161	918	6,580
Interest expense	(78)	(810)	(144)	(1,032)
Net interest income	423	4,351	774	5,548
Non-interest income	64	664	99	827
	487	5,015	873	6,375
Expenses				
Operating expenses excluding depreciation and amortization	185	2,528	692	3,405
Impairment losses	73	748	-	821
Depreciation and amortization	17	245	66	328
	275	3,521	758	4,554
Segment operating income	212	1,494	115	1,821
Total resources and liabilities				
Total resources	7,242	98,766	27,063	133,071
Total liabilities	6,441	87,852	25,681	119,974

8.2 Reconciliation

Presented below is a reconciliation of the Bank's segment information to the key financial information presented in its financial statements.

(Amounts in millions PHP)	**2024**	2023	2022
Net interest and other income			
Total segment revenues	**7,330**	7,186	6,375
Unallocated income	**183**	216	119
Net interest and other income as reported in profit or loss	**7,513**	7,402	6,494
Profit or loss			
Total segment operating income	**2,264**	2,159	1,821
Unallocated profit	**132**	180	41
Profit before tax as reported in profit or loss	**2,396**	2,339	1,862
Resources			
Total segment resources	**166,544**	152,679	133,071
Unallocated assets	**1,448**	1,735	1,479
Total resources	**167,992**	154,414	134,550
Liabilities			
Total segment liabilities	**148,242**	136,400	119,974
Unallocated liabilities	**389**	-	-
Total liabilities	**148,631**	136,400	119,974

The Bank has no intersegment revenues during 2024, 2023 and 2022.

9. CASH AND CASH EQUIVALENTS

This account is composed of the following:

(Amounts in PHP)	Notes	**2024**	2023
Cash and other cash items		**1,177,794,637**	1,316,780,680
Due from BSP:			
Mandatory reserves		**631,093,606**	797,518,235
Other than mandatory reserves		**2,250,000,100**	3,701,085,914
		2,881,093,706	4,498,604,149
Due from other banks:			
Local banks		**2,746,158,008**	3,144,810,572
Foreign banks		**1,310,295,928**	1,025,469,825
		4,056,453,936	4,170,280,397
SPURRA	11	**500,000,000**	4,992,596,914
Interbank loans receivables	11	**615,690,000**	-
Foreign currency notes and coins on hand	14	**82,379,182**	68,818,715
		9,313,411,461	15,047,080,855

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers, including automated teller machines. Other cash items include cash items other than currency and coins on hand such as checks drawn on the other banks or other branches that were received after the Bank's clearing cut-off time until the close of the regular banking hours.

Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements and to serve as clearing account for interbank claims (see Note 15).

Due from BSP, other than mandatory reserves which has no interest, bears annual effective interest rates as follows:

2024	2023	2022
5.25% – 5.75%	3.75% – 4.25%	3.75% – 4.25%

The total interest income earned on Due from BSP account in 2024, 2023 and 2022 amounting to P142.7 million, P216.9 million and P182.2 million, respectively, is presented as part of Interest Income on Due from BSP and Other Banks in the statements of profit or loss.

Interest rates on the Bank's deposits in other banks range from 1.62% to 5.00% per annum in 2024, from 1.70% to 5.40% per annum in 2023, and from 0.05% to 4.50% per annum in 2022. The total interest income earned in 2024, 2023 and 2022 amounting to P33.9 million, P104.8 million and P35.8 million, respectively, is presented as part of Interest Income on Due from BSP and Other Banks in the statements of profit or loss.

10. TRADING AND INVESTMENT SECURITIES

The components of this account are presented below.

(Amounts in PHP)	Notes	**2024**	2023
Financial assets at FVOCI	4.3.2, 10.2	**14,326,399,293**	13,765,424,913
Financial assets at FVTPL	10.1	**10,173,768,625**	6,782,337,118
Financial assets at amortized cost – net	4.3.2, 10.3	**1,270,349,150**	1,501,256,354
		25,770,517,068	22,049,018,385

Interest income on trading and investment securities consists of:

(Amounts in PHP)	**2024**	2023	2022
Financial assets at FVTPL:			
Government securities	**416,176,286**	174,351,678	74,227,351
Corporate bonds	**54,353,595**	76,095,573	19,344,197
Financial assets at FVOCI:			
Government securities	**622,764,536**	460,042,698	461,354,034
Corporate bonds	**19,767,715**	32,527,603	25,672,766
Financial assets at amortized cost:			
Government securities	**55,779,484**	36,801,831	29,191,239
Corporate bonds	**34,088,722**	32,189,507	27,502,666
	1,202,930,338	812,008,890	637,292,253

Trading gains or losses, which is presented in the statements of profit or loss, consists of the following:

(Amounts in PHP)	**2024**	2023	2022
Investment securities at FVTPL:			
Unrealized	**(173,767,502)**	152,878,896	(406,996,881)
Realized	**86,192,261**	133,872,761	5,351,266
	(87,575,241)	286,751,657	(401,645,615)
Investment securities at FVOCI	**-**	1,009,332	(607,336)
	(87,575,241)	287,760,989	(402,252,951)

10.1 Financial assets at FVTPL

The account is composed of the following:

(Amounts in PHP)	**2024**	2023
Government securities	**9,303,123,574**	5,088,833,858
Corporate bonds	**870,645,051**	1,693,383,272
Derivative assets	**-**	119,988
	10,173,768,625	6,782,337,118

Effective interest rates of financial assets at FVTPL range from:

	2024	2023	2022
Government securities	**4.5% – 6.1%**	2.1% – 6.1%	3.0% – 9.3%
Corporate bonds	**3.3% – 5.4%**	3.1% – 7.7%	2.8% – 7.3%

10.2 Financial assets at FVOCI

The account is composed of the following:

(Amounts in PHP)	**2024**	2023
Government securities	**13,468,034,106**	12,823,010,421
Corporate bonds	**858,365,187**	942,414,492
	14,326,399,293	13,765,424,913

Effective interest rates of investment securities at FVOCI range from:

	2024	2023	2022
Government securities	**3.2% – 7.3%**	5.8% – 7.1%	2.4% – 6.9%
Corporate bonds	**3.0% – 7.2%**	3.0% – 7.1%	3.3% – 4.9%

In compliance with current banking regulations relative to the Bank's trust functions, certain securities of the Bank, with a face value of P375.0 million and P130.0 million as of December 31, 2024 and 2023, respectively, are deposited with the BSP (see Note 25).

In 2024 and 2023, certain government securities at FVOCI with a total carrying value of P4,054.7 million and P3,650.0 million, respectively, were assigned as collateral to secure borrowings under credit line agreement with Development Bank of the Philippines (DBP) (see Notes 6.2 and 16). These investment securities have an interest rate ranging from 3.4% to 8.6%, and from 3.4% to 6.3% in 2024 and 2023 and will mature sometime in 2026, in 2027, in 2028 and 2040.

Changes in the investment securities at FVOCI are summarized below.

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**13,765,424,913**	10,820,216,925
Additions	**1,555,351,731**	2,795,028,683
Maturities	**(1,031,380,000)**	(325,000,000)
Foreign currency revaluation	**93,231,689**	(33,093,390)
Amortization of premium	**(50,129,343)**	(31,242,235)
Fair value gains (losses) - net	**(6,099,697)**	539,514,930
Balance at end of year	**14,326,399,293**	13,765,424,913

The reconciliation of NUGL on investment securities at FVOCI reported in equity is shown in Note 19.5.

10.3 Financial Assets at Amortized Cost

This account is composed of the following:

(Amounts in PHP)	Notes	**2024**	2023
Government securities		**973,655,247**	941,737,532
Corporate bonds		**312,471,601**	575,296,520
	4.3.2	**1,286,126,848**	1,517,034,052
Allowance for impairment	4.3.2, 26	**(15,777,698)**	(15,777,698)
		1,270,349,150	1,501,256,354

The reconciliation of the carrying amounts of investment securities at amortized cost are presented below.

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**1,501,256,354**	1,125,460,677
Maturities and redemptions	**(503,687,237)**	(547,450,082)
Additions	**230,974,346**	869,329,792
Amortization of discount	**41,805,687**	56,394,573
Impairment during the year	**-**	(2,478,606)
Balance at end of year	**1,270,349,150**	1,501,256,354

Effective interest rates of investment securities at amortized cost range from:

	2024	2023	2022
Government securities	**3.8% – 6.2%**	3.8% – 6.3%	3.6% – 8.1%
Corporate bonds	**4.0%**	4.0% – 7.2%	3.8% – 7.3%

11. LOANS AND OTHER RECEIVABLES

This account consists of the following:

(Amounts in PHP)	Notes	**2024**	2023
Receivable from customers:			
Loans and discounts		**131,902,297,185**	117,038,106,500
Unearned discount		**(203,843,460)**	(200,594,244)
		131,698,453,725	116,837,512,256
Bills purchased		**354,315,616**	137,316,529
Customers' liabilities on acceptances, letters of credit and trust receipts		**212,429,303**	333,083,736
		132,265,198,644	117,307,912,521
Other receivables			
SPURRA	9	**500,000,000**	4,992,596,914
Interbank loans receivables	9	**615,690,000**	-
Accrued interest receivable		**1,067,063,548**	956,131,849
Accounts receivable		**182,448,237**	155,027,103
Deficiency claims receivable		**58,623,568**	58,643,482
Sales contract receivable		**18,552,731**	19,129,027
		2,442,378,084	6,181,528,375
	4.3.2	**134,707,576,728**	123,489,440,896
Allowance for ECL	4.3.2, 26	**(6,435,438,678)**	(5,925,505,102)
		128,272,138,050	117,563,935,794

SPURRA are secured by certain treasury bills of the BSP. SPURRA, which represent loans and receivables from BSP as of December 31, 2024 and 2023, arise from overnight lending of excess liquidity.

Of the total loans and discounts of the Bank as of December 31, 2024 and 2023, 86.60% and 84.01%, respectively, are subject to periodic interest repricing.

Annual effective interest rates range from:

	2024	2023	2022
Loans and discounts	**0.0% – 57.9%**	0.0% – 189.7%	0.0% – 189.7%
Other receivables	**5.1% – 12.0%**	5.1% – 12.7%	5.0% – 12.0%

The total interest income earned amounted to:

(Amounts in PHP)	**2024**	2023	2022
Loans and discounts	**9,152,459,962**	7,983,954,362	5,661,250,576
Other receivables	**100,176,750**	177,977,912	62,958,081
	9,252,636,712	8,161,932,274	5,724,208,657

Interest income recognized on impaired loans and other receivables amounted to P498.6 million, P388.4 million, and P161.4 million in 2024, 2023, and 2022, respectively.

As of December 31, 2024 and 2023, certain loan receivables amounting to P297.0 million and P950.0 million, respectively, are assigned as collateral to secure borrowings under rediscounting privileges (see Note 16). These loan receivables have an interest rate of 6.70% and 5.11% and mature on March 24, 2025 and April 24, 2024, respectively. There is no related ECL allowance required on these loan receivables.

Certain qualified micro, small and medium enterprises (MSME) loans with outstanding balance of P847.3 million and P1,641.1 million (gross of allowance for impairment) as of December 31, 2024, and 2023, respectively, were used as alternative compliance with the BSP reserve requirement (see Note 15).

12. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of 2024 and 2023 are shown below.

(Amounts in PHP)	Land	Building	Furniture Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Right-of-Use Assets	Total
December 31, 2024							
Cost	90,802,205	189,716,467	764,301,260	168,599,495	768,123,710	866,380,205	2,847,923,342
Accumulated depreciation and amortization	-	(91,713,449)	(601,877,754)	(112,547,291)	(700,856,377)	(358,772,931)	(1,865,767,802)
Net Carrying Amount	**90,802,205**	**98,003,018**	**162,423,506**	**56,052,204**	**67,267,333**	**507,607,274**	**982,155,540**
December 31, 2023							
Cost	90,802,205	98,677,127	132,221,520	46,715,722	52,883,431	287,018,074	708,318,079
Accumulated depreciation and amortization	-	(88,426,536)	(555,863,724)	(111,312,823)	(680,644,135)	(342,274,555)	(1,778,521,773)
Net Carrying Amount	90,802,205	100,531,931	147,774,271	57,672,431	59,186,312	418,771,564	874,738,714
January 1, 2023							
Cost	90,802,205	181,811,222	645,220,653	160,226,285	707,140,278	653,989,851	2,439,190,494
Accumulated depreciation and amortization	-	(83,134,095)	(512,999,133)	(113,510,563)	(654,256,847)	(366,971,777)	(1,730,872,415)
Net Carrying Amount	90,802,205	98,677,127	132,221,520	46,715,722	52,883,431	287,018,074	708,318,079

A reconciliation of the carrying amounts at the beginning and end of 2024 and 2023 is shown below.

(Amounts in PHP)	**Land**	**Building**	**Furniture Fixtures and Equipment**	**Transportation Equipment**	**Leasehold Improvements**	**Right-of-Use Assets**	**Total**
Balance at January 1, 2024 net of accumulated depreciation and amortization	90,802,205	100,531,931	147,774,271	57,672,431	59,186,312	418,771,564	874,738,714
Additions	-	758,000	62,682,256	23,109,470	28,497,521	271,660,370	386,707,617
Disposals	-	-	(507,126)	(7,295,136)	(204,259)	-	(8,006,521)
Depreciation and amortization charges for the year	-	(3,286,913)	(47,525,895)	(17,434,561)	(20,212,241)	(182,824,660)	(271,284,270)
Balance at December 31, 2024 net of accumulated depreciation and charges for the year	**90,802,205**	**98,003,018**	**162,423,506**	**56,052,204**	**67,267,333**	**507,607,274**	**982,155,540**
Balance at January 1, 2023 net of accumulated depreciation and amortization	90,802,205	98,677,127	132,221,520	46,715,722	52,883,431	287,018,074	708,318,079
Additions	-	7,469,414	60,427,240	48,609,695	33,839,259	289,375,168	439,720,776
Disposals	-	(324,036)	(492,055)	(21,228,953)	(947,873)	-	(22,992,917)
Depreciation and amortization charges for the year	-	(5,290,574)	(44,382,434)	(16,424,033)	(26,588,505)	(157,621,678)	(250,307,224)
Balance at December 31, 2023 net of accumulated depreciation and charges for the year	90,802,205	100,531,931	147,774,271	57,672,431	59,186,312	418,771,564	874,738,714
Balance at January 1, 2022 net of accumulated depreciation and amortization	90,802,205	100,891,714	136,667,197	38,566,149	62,561,340	192,316,415	621,805,020
Additions	-	4,033,804	43,905,449	29,534,805	18,258,754	228,888,547	324,621,359
Disposals	-	-	(3,550,351)	(5,366,940)	(767,129)	-	(9,684,420)
Depreciation and amortization charges for the year	-	(6,248,391)	(44,800,775)	(16,018,292)	(27,169,534)	(134,186,888)	(228,423,880)
Balance at December 31, 2022 net of accumulated depreciation and charges for the year	90,802,205	98,677,127	132,221,520	46,715,722	52,883,431	287,018,074	708,318,079

As of December 31, 2024 and 2023, the cost of the Bank's fully depreciated bank premises, furniture, fixtures, and equipment that are still used in operations amounted to P350.40 million and P309.81 million, respectively.

The BSP requires that investment in bank premises, furniture, fixtures, and equipment do not exceed 50% of the Bank's unimpaired capital. As of December 31, 2024 and 2023, the Bank has satisfactorily complied with this requirement.

The Bank leases office space for its branches. Leases have terms ranging from one to 20 years with renewal options and annual escalation rates from 2.50% to 10.00% in both years 2024 and 2023. The Bank has 158 total number of right-of-use assets for its main office and 157 branches with an average remaining life of two years as of December 31, 2024 and 2023, respectively.

Each lease imposes a restriction that the right-of-use assets can only be used by the Bank. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Bank is prohibited from selling or pledging the underlying leased assets as security. The Bank must keep those premises in a good state of repair and return the properties to their original condition at the end of the lease. Further, the Bank must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The use of extension and termination options gives the Bank added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Bank's business expansion unit's strategy and the economic benefit of exercising the option exceeds the expected overall cost.

13. INVESTMENT PROPERTIES

Investment properties consist of various land and buildings and improvements acquired through foreclosure or dacion as payment of outstanding loans by the borrowers.

The gross carrying amounts and accumulated depreciation and allowance for impairment of investment properties at the beginning and end of 2024 and 2023 are shown below.

(Amounts in PHP)	Land	Buildings and Improvements	Total
December 31, 2024			
Cost	1,691,273,479	808,920,204	2,500,193,683
Accumulated amortization	-	(212,649,590)	(212,649,590)
Allowance for impairment	(183,463,428)	(76,670,236)	(260,133,664)
Net carrying amount	**1,507,810,051**	**519,600,378**	**2,027,410,429**
December 31, 2023			
Cost	1,314,038,438	601,709,577	1,915,748,015
Accumulated amortization	-	(154,852,726)	(154,852,726)
Allowance for impairment	(207,800,296)	(137,661,036)	(345,461,332)
Net carrying amount	1,106,238,142	309,195,815	1,415,433,957
January 1, 2023			
Cost	1,217,176,034	494,655,876	1,711,831,910
Accumulated amortization	-	(119,345,473)	(119,345,473)
Allowance for impairment	(263,348,376)	(71,866,992)	(335,215,368)
Net carrying amount	953,827,658	303,443,411	1,257,271,069

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2024 and 2023 are shown below and in the succeeding page.

(Amounts in PHP)	Land	Buildings and Improvements	Total
Balance at January 1, 2024, net of accumulated depreciation and impairment	1,106,238,142	309,195,815	1,415,433,957
Additions	394,850,455	212,980,430	607,830,885
Disposals	(17,615,414)	(4,613,448)	(22,228,862)
Impairment reversal	24,336,868	60,990,800	85,327,668
Depreciation for the year	-	(58,953,219)	(58,953,219)
Balance at December 31, 2024, net of accumulated depreciation and impairment	**1,507,810,051**	**519,600,378**	**2,027,410,429**
Balance at January 1, 2023, net of accumulated depreciation and impairment	953,827,658	303,443,411	1,257,271,069
Additions	293,572,236	134,005,374	427,577,610
Disposals	(196,709,832)	(17,581,813)	(214,291,645)
Impairment reversal (loss)	55,548,080	(65,794,044)	(10,245,964)
Depreciation for the year	-	(44,877,113)	(44,877,113)
Balance at December 31, 2023, net of accumulated depreciation and impairment	1,106,238,142	309,195,815	1,415,433,957

(Amounts in PHP)	Land	Buildings and Improvements	Total
Balance at January 1, 2022, net of accumulated depreciation and impairment	586,807,948	72,897,009	659,704,957
Additions	484,202,972	303,787,452	787,990,424
Disposals	(101,183,262)	(43,015,770)	(144,199,032)
Impairment loss	-	(30,225,280)	(30,225,280)
Depreciation for the year	(16,000,000)	-	(16,000,000)
Balance at December 31, 2022, net of accumulated depreciation and impairment	953,827,658	303,443,411	1,257,271,069

The investment properties still subject to redemption by the borrowers based on the prescribed redemption period by the relevant law amounted to P356.8 million and P213.5 million, respectively.

Gain on disposal of investment properties amounted to P9.8 million, P96.0 million, P2.3 million in 2024, 2023 and 2022, respectively, which were presented as part of Gain (Loss) on sale of properties under Miscellaneous Income (Expense) in the statements of profit or loss (see Notes 20.1 and 20.2).

In 2024, the Bank recognized reversal on impairment losses resulting from improvement in the fair value of the investment properties as the impact of the pandemic started to subside and market conditions recovered. In 2023 and 2022, the Bank recognized additional impairment losses resulting from decline in fair value of certain investment properties due to factors such the continuing impact of the pandemic and changes in the property market.

Expenses incurred on investment properties include real property taxes and depreciation. Real property taxes incurred on these investment properties amounted to P51.0 million, P49.1 million and P56.4 million in 2024, 2023 and 2022, respectively, and are presented as part of Miscellaneous, as Litigation on asset acquired, under Other Expenses in the statements of profit or loss (see Note 20.2). Depreciation recognized are included in Depreciation and amortization under Other Expenses in profit or loss.

14. OTHER RESOURCES

This account consists of the following as of December 31:

(Amounts in PHP)	Notes	**2024**	2023
Branch licenses	14.2	**250,800,000**	250,800,000
Prepaid expenses		**136,004,387**	137,450,698
Goodwill	14.3	**121,890,408**	121,890,408
Computer software – net	14.1	**105,060,619**	67,896,633
Security deposits		**112,951,308**	70,849,924
Foreign currency notes and coins on hand	9	**82,379,182**	68,818,715
Other acquired assets – net	14.4	**86,193,416**	43,149,858
Stationery and supplies		**42,031,594**	33,584,328
Deferred charges		**41,234,456**	41,207,332
Club shares		**38,000,000**	38,000,000
Due from head office or branches		**11,569**	-
Miscellaneous	14.5	**56,657,732**	40,927,197
		1,073,214,671	914,575,093
Allowance for impairment:			
Prepaid expense		**(1,654,737)**	(1,654,737)
Other acquired assets - net		**(13,730,765)**	-
		(15,385,502)	(1,654,737)
		1,057,829,169	912,920,356

14.1 Computer Software

The movements in computer software are shown below.

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**67,896,633**	86,908,147
Additions	**71,545,866**	21,833,298
Amortization	**(34,381,880)**	(38,762,660)
Reclassification	**-**	(2,082,152)
Balance at end of year	**105,060,619**	67,896,633

Amortization of computer software amounting to P34.4 million, P38.8 million and P47.9 million in 2024, 2023 and 2022, respectively, are presented as part of Depreciation and Amortization in the statements of profit and loss.

14.2 Branch Licenses

In 2019 and 2016, the Bank opened branches in Metro Manila, Southern Luzon, Vis-Min, CAMANAVA, and Central Luzon. The total cost of branch licenses amounted to P0.3 million in 2019 and P1.8 million in 2016.

On February 27, 2014, the Bank received approval from the BSP of its application for new licenses. This is in line with the Bank's branch expansion program for which it has allocated a portion of its IPO proceeds to cover the cost of new licenses in the following areas plus processing fees, which amounted to P2.2 million: CAMANAVA, Vis-Min Area, Central Luzon and Southern Luzon. In November 2011, the Monetary Board of BSP approved the request of the Bank to establish 15 branches in selected restricted cities in Metro Manila for a total consideration of P226.5 million which was paid by the Bank to the BSP in January 2012.

In December 2011, the Bank acquired four licenses from Prime Savings Bank, Inc. for a total consideration of P20.0 million.

As indicated in Notes 2.7, 2.12 and 3.2(g), branch licenses are tested for impairment annually. The recoverable amount of the CGU has been based on Value-in-Use (VIU) calculation using the excess projected net income from forecasts approved by the Bank's management covering a five-year period and a terminal growth rate. The key assumptions used in the estimation of the VIU in 2024 and 2023 include using a discount rate of 10.4% and 11.6%, respectively, and terminal value growth rate of 5.8% and 6.2%, respectively.

Key assumptions in VIU calculation of CGUs are most sensitive to discount rates and growth rates used to project excess net income. Future net income and growth rates were based on experience, strategies developed, and prospects. The discount rate used for the computation of the discounted excess earnings is the weighted average cost of capital and was determined by reference to the BVAL rate of treasury bond, adjusted for a risk premium. The terminal growth rate was determined based on the average annual GDP growth rate.

The recoverable amount has been based on fair value reflecting market conditions, less costs to sell. The Bank used the prevailing price of the special licensing fees as required by the BSP before acceptance of branch application. As of December 31, 2024 and 2023, the Bank has assessed that the recoverable amount of these branch licenses is the same as the carrying value; hence, no impairment loss is required to be recognized in the statements of profit or loss.

14.3 Goodwill

Goodwill arose from the following acquisitions:

(Amounts in PHP)	
Rural Bank of Kawit (RBK)	59,513,648
Kabalikat Rural Bank, Inc. (KRBI)	49,878,393
Bataan Savings and Loan Bank, Inc. (BLSB)	12,498,367
	121,890,408

In September 2014, as part of the Bank's expansion strategy, the BOD approved the acquisition of all the assets and assumption of all the obligation of RBK in exchange for P15.0 million. Upon approval by the BSP on February 1, 2016, the Bank recognized the assets and liabilities of RBK at their fair values, resulting in the recognition of P59.5 million goodwill.

KRBI, which is located in Sta. Maria Bulacan, Philippines, was acquired in 2010, which also resulted in the recognition of goodwill amounting to P49.9 million.

In July 2015, the Bank entered into a Sale and Purchase Agreement with BLSB, whereby the Bank acquired all the assets of BLSB and assumed the payment of all its obligations. The agreed purchase price was P68.8 million, which has been fully paid by the Bank in 2015. On July 12, 2017, the BSP approved the acquisition; hence, the Bank recognized the assets and liabilities of BLSB at their approximate fair values resulting in the recognition of P12.5 million goodwill.

The Bank acquired the foregoing smaller banks with the objective of availing the branch incentives under the Strengthening Program for Rural Bank Plus; and its expected future economic benefits and synergies that will result from incorporating the operations of these acquired rural banks with that of the Bank which expands its presence in the small and medium enterprise market. Accordingly, the Bank acquired them at a premium resulting in the recognition of goodwill.

As indicated in Notes 2.12 and 3.2(g), goodwill is tested for impairment annually. The Bank engaged a third-party specialist to perform an independent impairment testing of goodwill. The recoverable amount of the CGU has been based on VIU calculation using the cash flow projections from financial budgets approved by the Bank's senior management covering a five-year period. Key assumptions in VIU calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows. Future cash flows and growth rates were based on experience, strategies developed, and prospects. The discount rate used for the computation of the net present value is the cost of equity and was determined by reference to comparable entities within the industry.

In 2024 and 2023, the discount rates applied to cash flow projections are and 10.4% and 11.6%, respectively, while the growth rates used to extrapolate cash flows for the five-year period are 5.8% and 6.2% for 2024 and 2023, respectively. The growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

As of December 31, 2024 and 2023, the Bank has assessed that the carrying amount of the goodwill is fully recoverable. Accordingly, no impairment loss is required to be recognized in the statements of profit or loss in both years.

14.4 Other Acquired Assets

This account pertains to chattel properties acquired by the Bank from defaulting borrowers. The movements of other acquired assets is shown below.

(Amounts in PHP)	**2024**	2023
Cost		
Balance at beginning of year	**95,366,144**	100,905,907
Additions	**110,428,773**	35,341,133
Disposals	**(74,081,032)**	(40,880,896)
Balance at end of year	**131,713,885**	95,366,144
Accumulated depreciation		
Balance at beginning of year	**(52,216,285)**	(33,065,910)
Depreciation	**(10,167,276)**	(22,331,875)
Disposals	**16,863,092**	3,181,499
Balance at end of year	**(45,520,469)**	(52,216,286)
Other acquired assets – net of accumulated depreciation *(carried forward)*	**86,193,416**	43,149,858

(Amounts in PHP)	**2024**	2023
Other acquired assets – net of accumulated depreciation *(brought forward)*	**86,193,416**	43,149,858
Allowance for impairment	**(13,730,765)**	-
	72,462,651	43,149,858

As of December 31, 2024 and 2023, additional repossessed chattel properties amount to P110.43 million and P35.34 million, respectively.

Depreciation of chattel properties amounting to P10.2 million, P22.3 million and P22.5 million in 2024, 2023 and 2022, respectively, are presented as part of Depreciation and Amortization in the statements of profit and loss.

Loss on disposal of the assets amounted to P4.2 million, P11.4 million and P18.9 million in 2024, 2023 and 2022, respectively were presented in the statements of profit or loss as part of Gain (Loss) on sale of properties under Miscellaneous Income (Expenses) [see Notes 20.1 and 20.2].

14.5 Miscellaneous

Miscellaneous includes various deposits, petty cash fund, creditable withholding taxes and other assets.

15. DEPOSIT LIABILITIES

The classification of the Bank's deposit liabilities as to currency follows:

(Amounts in PHP)	**2024**	2023
Philippine peso	**131,821,188,540**	119,063,034,550
Foreign currencies	**7,273,090,330**	7,655,681,467
	139,094,278,870	126,718,716,017

Annual interest rates on deposit liabilities range from:

	2024	2023	2022
Philippine peso	**0.1% – 6.5%**	1.8% – 7.3%	0.1% – 6.3%
Foreign currencies	**0.1% – 5.1%**	1.4% – 5.0%	0.1% – 4.0%

The total interest expense amounted to:

	2024	2023	2022
Time	**3,586,339,516**	2,683,610,059	942,058,513
Savings	**44,165,010**	40,395,765	20,171,069
Demand	**16,419,791**	15,787,142	13,811,856
	3,646,924,317	2,739,792,966	976,041,438

Deposit liabilities as of December 31, 2024 and 2023 include those that are from DOSRI (see Note 22.1).

Under existing BSP regulations, the Bank is subject to a reserve requirement equivalent to 2.0% of non-FCDU deposit liabilities. The monetary Board, in its Resolution No. 1027 dated September 5, 2024, approved the reduction in the reserve requirement for Thrift Banks to 1%. On April 6, 2012, the BSP issued an amendment to the existing provisions as to the eligibility of cash and deposit accounts with BSP as forms of reserve requirements. As indicated in the amendment, cash and other cash items are no longer considered as eligible reserves.

Pursuant to BSP Circular No. 1087, *Alternative Compliance with the Reserve Requirements of Banks and Non-bank Financial Institutions with Quasi-banking Functions,* the Bank used qualified MSME loans as allowable alternative compliance with the reserve requirement both in 2024 and 2023 (see Note 11).

The Bank's available reserves as of December 31, 2024 and 2023 amount to P1,351.1 million and P9,401.6 million, respectively, and is compliant with these BSP regulations (see Notes 9 and 11).

16. BILLS PAYABLE

On November 27, 2024, the Bank obtained a short-term P2.10 billion bills payable from the Development Bank of the Philippines (DBP). The initial interest rate on this bills payable was 5.50% per annum, subject to monthly repricing. The maturity date for this DBP bills payable is February 25, 2025. This bills payable is secured by certain government securities of the Bank amounting to P2,654.7 million in 2024 (see Notes 6.2 and 10).

On November 13, 2024, the Bank obtained an additional short-term P1.50 billion bills payable from the Land Bank of the Philippines (LBP). The initial interest rate on this bill was 5.79% per annum, payable monthly, subject to monthly repricing. The maturity date for this LBP bills payable was February 11, 2024.

On November 20, 2024, the Bank obtained another short-term P0.90 billion bills payable from DBP. The initial interest rate on this bill was 5.85% per annum, subject to monthly repricing. The interest on this bills payable is payable monthly. The maturity date for this DBP bills payable was February 18, 2025. This bills payable is secured by certain government securities of the Bank amounting to P1,400.0 million in 2024 (see Notes 6.2 and 10).

Additionally, the Bank had one outstanding bills payable from a prior year that was rediscounted until March 24, 2025. This bills payable carried an interest rate of 6.50% per annum, payable quarterly. There was a partial settlement of this rediscounted bills payable amounted to P62.5 million.

On June 2, 2023, the Bank obtained additional unsecured, short-term bills payable with principal amount of P1,000.0 million from LBP bearing an interest of 6.43% per annum with maturity date of May 27, 2024. On September 29, 2023, the Bank obtained additional bills payable from LBP amounting to P500.0 million bearing an interest, which are payable semi-annually, of 6.25% per annum with maturity date of March 27, 2024.

On December 5, 2023, the Bank obtained short-term bills payable from DBP amounting to P3,000.0 million bearing an interest rate of 5.75% per annum with maturity date of March 4, 2024. This bills payable is secured by assigning all rights, interests and titles of certain government securities of the Bank amounting to P3,650.0 million in 2023 (see Notes 6.2 and 10).

The total interest expense in 2024, 2023, and 2022 amounted to P283.6 million, P109.0 million, and P25.2 million, respectively, and is recognized as part of Interest Expense in the 2024, 2023 and 2022 statements of profit or loss.

As of December 31, 2024 and 2023, the total outstanding bills payable amounting to P4,562.5 million and P4,750.0 million, respectively.

17. ACCRUED EXPENSES AND OTHER LIABILITIES

17.1 Accrued Expenses and Other Liabilities

The breakdown of this account follows:

(Amounts in PHP)	Notes	**2024**	2023
Accounts payable		**1,366,890,133**	987,761,999
Manager's checks		**680,842,434**	1,511,354,687
Accrued expenses		**626,851,298**	993,442,742
Lease liabilities	17.2	**552,557,746**	456,512,888
Sundry credits		**444,813,939**	2,018,685
Bills purchased		**354,315,616**	137,316,529
Outstanding acceptances		**194,335,850**	326,499,689
Withholding taxes payable		**168,673,998**	120,543,803
Post-employment defined benefit obligation	21.2	**101,460,210**	95,532,324
Income tax payable		**93,783,621**	128,060,470
Due to BSP		**68,906,600**	60,942,947
Payment orders payable		**13,021,889**	7,636,804
Others		**307,941,408**	103,651,928
		4,974,394,742	4,931,275,495

Accrued expenses include primarily accruals on interest on corporate notes payable, Agriculture, Fisheries and Rural Development Financing Act of 2022 (RA 11901) penalty, performance bonus, other employee benefits, utilities, janitorial and security services fees.

Outstanding acceptances pertain to obligations recognized by the Bank in its undertaking arising from letters of credit extended to its borrowers.

Bills purchased represent the checks presented for encashment pending the clearing process of the Bank to allow its clients to meet their needs for liquidity.

Payment orders payable represents the amount transmitted by the Bank to a beneficiary's bank, which is issued upon its receipt of the payment order as instructed by the sender.

Others primarily include SSS and Pag-IBIG premiums and loans payable, and unclaimed balances.

17.2 Lease Liabilities

The movements in the lease liability recognized are as follows:

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**456,512,888**	333,084,279
Additions	**271,660,369**	289,375,168
Payments of principal portion of lease liability	**(175,615,511)**	(165,946,559)
Balance at end of year	**552,557,746**	456,512,888

The total interest expense incurred on the lease liability amounted to P32.1 million, P22.1 million and P20.7 million in 2024, 2023 and 2022, respectively, and is presented as part of Others under the Interest Expense section of statements of profit or loss.

On August 3, 2023, the Bank has committed to a new lease contract which will commence on February 1, 2024. This will serve as an extension of the Bank's main office that will house the offices of certain executive directors and unit heads (see Note 12).

The Bank has elected not to recognize lease liabilities for short-term leases. Payments made under such leases are expensed on a straight-line basis. The expenses relating to short-term leases amounted to P21.2 million, P27.0 million and P42.1 million in 2024, 2023 and 2022, respectively, and is presented as part of Occupancy under Other Expenses in the statements of profit or loss.

As of December 31, 2024 and 2023, the Bank is not committed to short-term leases.

The maturity analysis of lease liabilities as of December 31, 2024 and 2023 is as follows:

	2024			2023		
(Amounts in PHP)	**Lease Payments**	**Finance Charges**	**Net Present Value**	Lease Payments	Finance Charges	Net Present Value
First year	**183,863,576**	**28,746,872**	**155,116,704**	164,707,007	22,277,400	142,429,607
Second year	**153,568,290**	**20,390,814**	**133,177,476**	120,998,012	15,580,277	105,417,735
Third year	**125,259,421**	**12,790,912**	**112,468,509**	89,912,321	10,376,471	79,535,850
Fourth year	**97,186,895**	**6,255,435**	**90,931,460**	67,751,030	5,965,367	61,785,663
Fifth year	**33,824,964**	**2,471,475**	**31,353,489**	39,938,542	2,572,253	37,366,289
Beyond fifth year	**32,485,369**	**2,975,261**	**29,510,108**	33,329,943	3,352,199	29,977,744
	626,188,515	**73,630,769**	**552,557,746**	516,636,855	60,123,967	456,512,888

18. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

		2024			2023		
(Amounts in PHP)	Notes	**Within One Year**	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Resources							
Cash and other cash items	9	**1,177,794,637**	**-**	**1,177,794,637**	1,316,780,680	-	1,316,780,680
Due from BSP	9	**2,881,093,706**	**-**	**2,881,093,706**	4,498,604,149	-	4,498,604,149
Due from other banks	9	**4,056,453,936**	**-**	**4,056,453,936**	4,170,280,397	-	4,170,280,397
Loans and other receivables	11	**65,179,697,433**	**63,092,440,617**	**128,272,138,050**	61,100,083,606	56,463,852,188	117,563,935,794
Financial assets at FVTPL	10.1	**10,173,768,625**	**-**	**10,173,768,625**	6,782,337,118	-	6,782,337,118
Financial assets at FVOCI	10.2	**661,307,630**	**13,665,091,663**	**14,326,399,293**	12,911,945,179	853,479,734	13,765,424,913
Investments at amortized cost	10.3	**493,697,155**	**776,651,995**	**1,270,349,150**	1,098,283,398	402,972,956	1,501,256,354
Bank premises, furniture, fixtures and equipment - net	12	**-**	**982,155,540**	**982,155,540**	-	874,738,714	874,738,714
Investment properties - net	13	**-**	**2,027,410,429**	**2,027,410,429**	-	1,415,433,957	1,415,433,957
Deferred tax assets - net	23	**-**	**1,766,272,966**	**1,766,272,966**	-	1,612,742,372	1,612,742,372
Other resources	14	**248,030,972**	**809,798,197**	**1,057,829,169**	239,853,741	673,066,615	912,920,356
		84,871,844,094	**83,119,821,407**	**167,991,665,501**	92,118,168,268	62,296,286,536	154,414,454,804
Liabilities							
Deposit liabilities	15	**135,802,303,158**	**3,291,975,712**	**139,094,278,870**	122,569,571,566	4,149,144,451	126,718,716,017
Bills payable	16	**4,562,500,000**	**-**	**4,562,500,000**	4,750,000,000	-	4,750,000,000
Accrued expenses and other liabilities	17	**4,510,538,606**	**463,856,136**	**4,974,394,742**	4,210,092,994	721,182,501	4,931,275,495
		144,875,341,764	**3,755,831,848**	**148,631,173,612**	131,529,664,560	4,870,326,952	136,399,991,512

19. EQUITY

19.1 Capital Stock

Capital stock consists of:

	2024		2023	
	Shares	**Amount in PHP**	Shares	Amount in PHP
Preferred shares – P10 par value				
Authorized				
Balance at end of year	**130,000,000**	**1,300,000,000**	130,000,000	1,300,000,000
Issued and outstanding				
Balance at end of year	**62,000,000**	**620,000,000**	62,000,000	620,000,000
Common shares – P10 par value				
Authorized				
Balance at end of year	**1,370,000,000**	**13,700,000,000**	1,370,000,000	13,700,000,000
Issued and outstanding				
Balance at end of year	**818,750,094**	**8,187,500,940**	643,750,094	6,437,500,940
Issuance of capital stock				
Private placements	**-**	**-**	125,000,000	1,250,000,000
Stock right offering (SRO)	**-**	**-**	50,000,000	500,000,000
Balance at end of year	**818,750,094**	**8,187,500,940**	818,750,094	8,187,500,940

The Bank's preferred shares are nonvoting, convertible, and are redeemable at the option of the Bank. These shares are entitled to dividend of noncumulative 8.0% per annum for Tranche 1 and 6% for both Tranches 2 and 3.

On February 17, 2017, the BOD approved the redemption of all the issued and outstanding preferred shares of the Bank at par value of P620.0 million through staggered redemption. However, as of December 31, 2024 and 2023, none of the preferred shares have been redeemed yet and the Bank has considered conversion of the preferred shares to common shares instead.

On January 9, 2013, the PSE approved the Bank's application for the listing of its common shares. The approval covered the IPO of 101,333,400 unissued common shares of the Bank at P31.50 per share and the listing of those shares in the PSE's main board on February 19, 2013, its day of listing. The Bank offered its 101,333,400 unissued common to the public at the approved P31.50 per share resulting in the recognition of additional paid-in capital of P1,998.4 million, net of transaction costs (see Note 19.4).

On May 21, 2021 and June 25, 2021, during the regular BOD meeting and annual stockholder's meeting, respectively, the BOD and stockholders approved the change of the preferred shares features from nonconvertible to convertible to common shares and from nonredeemable to redeemable. However, it did not materialize due to the complexities in the requirements. Hence, on April 20, 2022 and July 27, 2022, during the regular BOD meeting and annual stockholder's meeting, respectively, the BOD and stockholders re-approved the change of the preferred shares feature from nonconvertible to convertible to common shares.

During the regular BOD meeting of the Bank on April 20, 2022, the BOD re-approved the increase in the Bank's ACS in line with the continuing expansion of the Bank's core deposit-and-lending business since the application for increase of capital, as provided in the Revised Corporation Code, must be made within six months from approval of the BOD and shareholders. On July 27, 2022, during the annual stockholders' meeting, the stockholders also re-approved such increase in authorized capital stock. On September 26, 2022, the Bank filed the application for the increase in ACS with the SEC from P10,000.0 million to P15,000.0 million. On November 28, 2022, the Bank received the certificate of authority from the BSP for the increase in ACS, and subsequently, on January 19, 2023, the Bank obtained the necessary approval from the SEC.

On August 17, 2022, during the regular BOD meeting of the Bank, the BOD approved the offer consisting of P1,750,000,000 worth of shares, which (a) P1,250,000,000 shall consist of advance subscriptions by the Principal Shareholders out of the P5,000,000,000 increase in A CS of the Bank, by way of private placement; and (b) up to P500,000,000 SRO to eligible shareholders as of record date equivalent to 50,000,000 common shares at P10.00 per share, for the purpose of increasing capital and for general corporate requirements.

Relative to the increase in ACS as discussed above, the Bank's principal shareholders have subscribed to P1,250.0 million, equivalent to 25% of the P5,000.0 million increase in ACS, through a private placement transaction. On September 21, 2022, the principal shareholders paid P312.5 million or 25% of the minimum paid-up capital increase requirement and is presented as Deposit on Future Stock Subscription in the 2022 statement of financial position. On January 10, 2023, the Bank received P937.5 million from the Principal Shareholders as full payment. Subsequently, on January 20, 2023, the Bank issued the 125,000,000 shares to the Principal Shareholders following the receipt of SEC approval on the P5,000 million increase in ACS on January 19, 2023.

On February 13, 2023, the Bank received the Notice of Confirmation of Exempt Transaction from the SEC with respect to the Bank's stock rights offering. Subsequently, on February 22, 2023, the PSE approved the Bank's application to list up to 50,000,000 common shares subject to its SRO which is offered to its eligible shareholders as of March 10, 2023, the record date.

The offer period started on March 17, 2023, and ended on March 23, 2023, with the listing date on March 31, 2023.

Accordingly, after the private placement and the SRO, the Bank's total outstanding and issued common shares is 818,750,094.

As of December 31, 2024 and 2023, the Bank has 67 holders of its listed common stock. The Bank has 818,750,094 common shares traded in the PSE as of December 31, 2024 and 2023, respectively, and its share price closed at P9.70 and P8.70, respectively, as at the same dates.

19.2 Dividends

The Bank's BOD approved the declaration of cash dividends as follows:

	Types of Shares	Date of Declaration	Date of Record	Date of Payment	Tranche	No. of Shares	Amount Per Share	Total Amount in PHP
2024								
	Common	May 15, 2024	May 10, 2024	June 10, 2024	-	818,750,094	0.45	368,437,542
	Preferred	May 15, 2024	May 10, 2024	June 10, 2024	1	12,000,000	0.80	9,600,000
					2	12,500,000	0.60	7,500,000
					3	37,500,000	0.60	22,500,000
								408,037,542
2023								
	Common	July 19, 2023	Aug 2, 2023	Aug. 15, 2023	-	818,750,094	0.35	286,562,532
	Preferred	April 19, 2023	May 2, 2023	May 15, 2023	1	12,000,000	0.80	9,600,000
					2	12,500,000	0.60	7,500,000
					3	37,500,000	0.60	22,500,000
								326,162,533

The Bank has no dividends in arrears on its preferred shares.

19.3 Appropriated Surplus

Appropriated surplus consist of:

(a) General loan loss reserve, which pertains to the accumulated amount of appropriation from Surplus made by the Bank arising from the excess of the one-percent GLLP for outstanding loans as required by the BSP under Circular No. 1011, *Guidelines on the Adoption of PFRS 9*, over the computed allowance for ECL for Stage 1 accounts; and,

(b) Reserve for trust business representing the accumulated amount set aside by the Bank under existing regulations requiring the Bank to appropriate and transfer to surplus 10% of its net profits accruing from their trust business until the surplus shall amount to 20% of the regulatory capital. The reserve shall not be paid out in dividends, but losses accruing in the course of the trust business may be charged against this account.

Reconciliation of appropriated surplus is as follows:

(Amounts in PHP)	Trust Reserves	General Loan Loss Reserves	Total
Balance at January 1, 2024	26,352,271	802,998,074	829,350,345
Appropriation during the year	4,214,872	171,642,242	175,857,114
Balance at December 31, 2024	**30,567,143**	**974,640,316**	**1,005,207,459**
Balance at January 1, 2023	22,227,698	711,388,112	733,615,810
Appropriation during the year	4,124,573	91,609,962	95,734,535
Balance at December 31, 2023	26,352,271	802,998,074	829,350,345
Balance at January 1, 2022	16,834,370	357,408,075	374,242,445
Appropriation during the year	5,393,328	353,980,037	359,373,365
Balance at December 31, 2022	22,227,698	711,388,112	733,615,810

Trust reserves representing a portion of the Bank's income from trust operations were made in compliance with BSP regulations (see Note 25).

On August 16, 2003, the BOD approved the establishment of a sinking fund for the exclusive purpose of the redemption of redeemable preferred shares should the Bank opt to redeem the shares. However, as of December 31, 2024 and 2023, the sinking fund for the redemption of redeemable preferred shares is yet to be established.

19.4 Paid-in Capital from IPO

As mentioned in Note 19.1, the Bank's common shares were listed at the PSE in February 2013. The total proceeds received from the IPO amounted to P3,191.9 million, which exceeded par value by P1,998.4 million, net of share issuance cost of P180.2 million. The excess over par value is presented as Additional Paid-in Capital in the statements of financial position.

19.5 Revaluation Reserves

Revaluation reserves pertain to the accumulated actuarial losses of post-employment defined benefit plan and unrealized fair value gains and losses on FVOCI securities. Details of this account are presented below.

(Amounts in PHP)	Notes	NUGL on Securities at FVOCI	Accumulated Actuarial Losses	Total
Balance at January 1, 2024		(1,003,581,753)	(97,934,129)	(1,101,515,882)
Fair value loss on FVOCI securities during the year	10.2	(6,099,697)	-	(6,099,697)
Expected credit loss for FVOCI securities	10.2	(16,867,787)	-	(16,867,787)
Remeasurements of post-employment defined benefit plan	21.2	-	(6,715,998)	(6,715,998)
Other comprehensive loss		(22,967,484)	(6,715,998)	(29,683,482)
Tax income	23	-	1,679,000	1,679,000
		(22,967,484)	**(5,036,998)**	**(28,004,482)**
Balance at December 31, 2024		**(1,026,549,237)**	**(102,971,127)**	**(1,129,520,364)**

(Amounts in PHP)	Notes	NUGL on Securities at FVOCI	Accumulated Actuarial Losses	Total
Balance at January 1, 2023		(1,536,013,208)	(68,278,930)	(1,604,292,138)
Fair value gains on FVOCI securities during the year	10.2	539,514,930	-	539,514,930
Expected credit loss for FVOCI securities	10.2	(6,074,143)	-	(6,074,143)
Fair value gains reclassified to profit or loss	10.2	(1,009,332)	-	(1,009,332)
Remeasurements of post-employment defined benefit plan	21.2	-	(39,540,266)	(39,540,266)
Other comprehensive income (loss)		532,431,455	(39,540,266)	492,891,189
Tax income	23	-	9,885,067	9,885,067
		532,431,455	(29,655,199)	502,776,256
Balance at December 31, 2023		(1,003,581,753)	(97,934,129)	(1,101,515,882)
Balance at January 1, 2022		(125,395,426)	(86,999,212)	(212,394,638)
Fair value loss on FVOCI securities during the year	10.2	(1,404,660,931)	-	(1,404,660,931)
Expected credit losses for FVOCI securities	10.2	(6,564,187)	-	(6,564,187)
Fair value loss reclassified to profit or loss	10.2	607,336	-	607,336
Remeasurements of post-employment defined benefit plan	21.2	-	24,960,375	24,960,375
Other comprehensive income (loss)		(1,410,617,782)	24,960,375	(1,385,657,407)
Tax expense	23	-	(6,240,093)	(6,240,093)
		(1,410,617,782)	18,720,282	(1,391,897,500)
Balance at December 31, 2022		(1,536,013,208)	(68,278,930)	(1,604,292,138)

20. MISCELLANEOUS INCOME AND EXPENSES

20.1 Miscellaneous Income

This includes the following:

(Amounts in PHP)	Notes	**2024**	2023	2022
Foreign currency gains – net		**252,831,148**	89,960,119	44,648,107
Trade finance charges		**64,029,040**	67,305,945	62,650,287
Trust fees	25	**42,148,722**	41,245,731	53,933,280
Gain on sale of properties – net	13, 14.4	**5,672,122**	84,609,969	-
Others		**177,064,730**	148,866,732	56,995,282
		541,745,762	431,988,496	218,226,956

Others include rental of safe/night deposit box and dividend income.

20.2 Miscellaneous Expenses

This includes the following:

(Amounts in PHP)	Notes	**2024**	2023	2022
Transportation and travel		**151,221,283**	146,583,910	100,763,779
Communication		**70,336,053**	78,178,526	68,456,000
Information technology		**69,370,467**	62,085,275	47,913,679
Banking fees		**53,430,877**	50,745,856	48,034,939
Litigation on asset acquired	13	**51,044,233**	49,073,008	56,422,759
Office supplies		**11,762,117**	9,204,776	21,101,151
Membership dues		**11,363,096**	10,965,202	3,050,210
Advertising and publicity		**2,843,237**	2,697,059	2,866,648
Amortization of deferred charges		**1,292,540**	-	3,508,772
Donations and contributions		**14,368**	-	17,361
Fines, penalties and other chargers		**-**	35,026,427	77,092,877
Loss on sale of properties - net	13, 14.4	**-**	-	16,616,368
Freight		**-**	4,093,733	3,238,319
Others		**54,355,214**	55,526,461	43,281,311
		477,033,485	504,180,233	492,364,173

Others also include brokerage fees, commissions, appraisal and processing fees incurred by the Bank.

21. EMPLOYEE BENEFITS

21.1 Salaries and Other Employee Benefits Expense

Expenses recognized for salaries and other employee benefits are broken down below.

(Amounts in PHP)	Note	**2024**	2023	2022
Salaries and wages		**802,126,125**	751,383,058	705,621,515
Bonuses		**197,721,741**	184,719,614	175,210,399
Social security costs		**70,466,667**	60,382,321	46,088,185
Post-employment defined benefit plan	21.2	**46,743,054**	41,323,158	40,967,462
Other short-term benefits		**228,128,763**	321,198,213	215,542,030
		1,345,186,350	1,359,006,364	1,183,429,591

21.2 Post-employment Benefit

(a) *Characteristics of the Defined Benefit Plan*

The Bank maintains a funded, tax-qualified, noncontributory post-employment benefit plan that is being administered by the Bank's trust department that is legally separated from the Bank. The Bank's Retirement Plan Committee, in coordination with the Bank's trust department, acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60. Normal retirement benefit is an amount equivalent to 100% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) *Explanation of Amounts Presented in the Financial Statements*

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2024 and 2023.

The amounts of post-employment defined benefit obligation recognized as part of Accrued Expenses and Other Liabilities (see Note 17) in the statements of financial position are determined as follows:

(Amounts in PHP)	**2024**	2023
Present value of the defined benefit obligation	**466,571,729**	423,969,708
Fair value of plan assets	**(365,111,519)**	(328,437,384)
	101,460,210	95,532,324

The movements in the present value of the post-employment defined benefit obligation are as follows:

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**423,969,708**	365,268,283
Current service cost	**46,743,054**	41,323,158
Interest expense	**25,946,946**	26,372,370
Benefits paid	**(23,815,539)**	(20,673,346)
Remeasurements:		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**(208,605)**	19,464,467
Experience adjustments	**(6,252,894)**	(4,821,437)
Changes in demographic assumptions	**189,059**	(2,963,787)
Balance at end of year	**466,571,729**	423,969,708

The movements in the fair value of plan assets are presented below.

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**328,437,384**	306,774,356
Contributions to the plan	**52,500,000**	47,094,485
Interest income	**20,978,112**	23,102,912
Return on plan assets (excluding amounts included in net interest)	**(12,988,438)**	(27,861,023)
Benefits paid	**(23,815,539)**	(20,673,346)
Balance at end of year	**365,111,519**	328,437,384

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

(Amounts in PHP)	**2024**	2023
Cash and cash equivalents	**72,730,215**	93,834,561
Corporate bonds	**211,290,036**	183,103,842
Equity securities	**52,612,570**	50,874,951
Unit investment trust fund	**28,478,698**	-
Accrued interest income	**-**	624,030
	365,111,519	328,437,384

The fair values of the above equity securities, unit investment trust fund, government and corporate bonds are determined based on quoted market prices in active markets.

The plan assets earned an actual return of P8.0 million and incurred a loss of P4.8 million in 2024 and 2023, respectively.

Plan assets include certain financial instruments of the Bank (see Note 22).

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

(Amounts in PHP)	**2024**	2023	2022
Reported in profit or loss:			
Current service cost	**46,743,054**	41,323,158	40,967,462
Net interest expense	**4,968,834**	3,269,458	3,805,587
	51,711,888	44,592,616	44,773,049
Reported in other comprehensive income:			
Actuarial losses (gains) arising from:			
Changes in financial assumptions	**(208,605)**	19,464,467	(39,995,010)
Experience adjustments	**(6,252,894)**	(4,821,437)	19,452,858
Changes in demographic assumptions	**189,059**	(2,963,787)	(869,786)
Return on plan assets (excluding amounts included in net interest expense)	**12,988,438**	27,861,023	(3,548,437)
	6,715,998	39,540,266	(24,960,375)

Current service cost is presented as part of Salaries and Other Employee Benefits (see Note 21.1) under the caption Other Expenses while net interest expense is presented as Interest Expense in the statements of profit or loss.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2024	2023	2022
Discount rates	**6.13%**	6.12%	7.22%
Expected rate of salary increases	**6.00%**	6.00%	6.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 26 years for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bonds with terms to maturity approximating the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Bank to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

Currently, the plan has relatively balanced investment in cash and cash equivalents and debt and equity securities. Due to the long-term nature of the plan obligation, a level of continuing debt and equity investments is an appropriate element of the Bank's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Bank's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described in the succeeding pages.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit asset as of December 31, 2024 and 2023:

(Amounts in PHP)	**Impact on Post-employment Benefit Obligation**		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2024			
Discount rate	**+4.7%/-4.3%**	**21,775,990**	**(20,004,502)**
Salary rate	**+4.6%/-4.3%**	**(21,591,262)**	**20,210,809**
Increase in DBO if no attrition rate	**+20.1%**	**93,769,008**	**-**
December 31, 2023			
Discount rate	+4.6%/-4.2%	19,349,409	(17,767,998)
Salary rate	+4.5%/-4.2%	(17,949,605)	19,183,334
Increase in DBO if no attrition rate	+20.4%	86,339,325	-

The foregoing sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Bank through its Retirement Plan Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve those long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency.

The Bank actively monitors how the duration, and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

As of December 31, 2024 and 2023, the plan is heavily invested in cash and cash equivalents and debt and equity securities. The Bank believes that cash and cash equivalents and debt and equity securities offer the best returns over the long term with an acceptable level of risk.

There has been no change in the Bank's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

The plan currently is underfunded by P101.5 million based on the latest actuarial valuation. While there is no minimum funding requirement in the country, the Bank is funding its plan assets to manage the cash flow risk in about five years' time when a significant number of employees is expected to retire.

The Bank expects to contribute P54.0 million to retirement benefit plan in 2025.

The maturity profile of undiscounted expected benefit payments from the plan for the next 10 years follows:

(Amounts in PHP)	**2024**	2023
Within one year	**147,985,197**	151,303,616
More than one year to five years	**283,018,712**	234,152,282
More than five years to 10 years	**338,711,421**	298,597,256
	769,715,330	684,053,154

The weighted average duration of the defined benefit obligation at the end of the reporting period is 4.4 years.

22. RELATED PARTY TRANSACTIONS

For purposes of reporting to the SEC in accordance with SEC Memorandum Circular No. 10-2019, *Rules on Material Related Party Transactions for Publicly Listed Companies*, transaction amounting to 10% or more of the total assets that were entered into with related parties are considered material. All individual material related party transactions shall be approved by at least two-thirds vote of the board of directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors; vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Bank's total assets, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

A summary of the Bank's transactions with related parties is presented below.

		Amount of Transaction			Outstanding Balance	
Related Party Category	Note	**2024**	2023	2022	**2024**	2023
(Amount in PHP)						
Shareholders:						
Deposit liabilities	22.1	**(347,444,176)**	1,553,475,429	119,938,269	**2,970,112,366**	3,317,556,542
Interest expense	22.1	**31,122,731**	46,252,377	8,875,438	**-**	-
Loans	22.2	**1,000,000**	-	-	**651,000,000**	650,000,000
Interest income	22.2	**16,932,814**	8,265,217	2,694,579	**-**	-
Related parties under common ownership:						
Deposit liabilities	22.1	**(652,196,925)**	87,667,362	580,314,395	**6,044,740,840**	6,696,937,765
Interest expense	22.1	**106,137,352**	101,366,654	58,065,206	**-**	-
Loans	22.2	**364,224**	3,602,586	-	**4,966,810**	4,602,586
Interest income	22.2	**532,157**	34,168	2,694,579	**-**	-
Key management personnel:						
Deposit liabilities	22.1	**(19,159,023)**	19,223,919	(70,219,016)	**32,137,546**	51,296,569
Interest expense	22.1	**1,120,021**	940,530	215,806	**-**	-
Loans	22.2	**-**	2,228,034	(7,101,214)	**-**	12,085,072
Interest income	22.2	**-**	22,452	(846,286)	**-**	621,933
Compensation	22.4	**204,492,348**	201,157,223	200,030,540	**-**	-
Other related interests:						
Deposit liabilities	22.1	**1,436,234,668**	9,191,632	63,800,565	**1,543,748,425**	107,513,757
Interest expense	22.1	**24,020,317**	3,377,262	1,142,463	**-**	-
Loans	22.2	**722,434,223**	200,184,178	553,051,659	**218,958,614**	286,790,251
Interest income	22.2	**4,019,239**	8,265,217	2,694,579	**-**	-
Retirement fund:						
Contribution	22.3	**46,743,054**	47,094,485	37,133,819	**-**	-
Plan assets	22.3	**36,191,672**	22,145,491	24,139,206	**365,111,519**	328,919,847

Details of the foregoing transactions are as follows:

22.1 Deposits

The total balance of deposits is inclusive of the corresponding accrued interest as of December 31, 2024 and 2023.

Deposit liabilities transactions with related parties have similar terms with other counterparties (see Note 15). Annual interest rates on deposit liabilities range from 1.4% to 6.0% in 2024, 01.4% to 6.3% in 2023, and from 0.1% to 6.3% in 2022.

22.2 Loans

Under existing policies of the Bank, loan transactions with related parties are made substantially on the same terms as loans to other individuals and businesses of comparable risks and are normally settled in cash. Based on management's assessment as of December 31, 2024 and 2023, allowance for impairment of P9.6 million and P10.6 million, respectively, is recognized on the Bank's loans to its related parties.

Other information relating to the loans, other credit accommodations and guarantees granted to key management personnel and other related parties are presented in Note 29(f).

As of December 31, 2024 and 2023, the Bank has an approved line of credit to certain related parties totaling P1,006.7 million and P1,008.9 million, respectively, and all were used to guarantee the obligation of the respective related parties to other creditors up to the extent of the unused line of credit.

22.3 Transactions with Retirement Fund

The Bank's transactions with its retirement fund as of December 31, 2024 and 2023 relate only to its contributions to the plan and certain placements made by the plan to the Bank.

The retirement plan assets are placed with the Bank, as administered by the Bank's trust department, comprise cash in bank, short-term placements, corporate bonds, and equity securities amounting to P365.1 million and P328.4 million in 2024 and 2023, respectively, as disclosed in Note 21.2.

Cash and cash equivalents include time deposits issued by the Bank amounting to P72.7 million and P90.6 million as of December 31, 2024 and 2023, respectively.

Equity securities include shares issued by the Bank with fair value of P52.6 million and P50.9 million as of December 31, 2024 and 2023, respectively.

The retirement fund neither provides any guarantee or surety for any obligation of the Bank nor its investments by any restrictions or liens.

22.4 Key Management Personnel Compensation

Salaries and short-term benefits received by key management personnel are summarized below.

(Amounts in PHP)	**2024**	2023	2022
Short-term benefits	**190,173,730**	196,702,715	193,106,967
Post-employment benefits	**14,318,618**	4,454,508	6,923,573
	204,492,348	201,157,223	200,030,540

The composition of the Bank's short-term benefits are as follows:

(Amounts in PHP)	**2024**	2023	2022
Salaries and wages	**145,218,961**	152,489,625	147,856,807
Bonuses	**35,075,101**	36,617,816	37,497,977
Social security costs	**4,409,090**	3,761,083	2,935,449
Other short-term benefits	**5,470,578**	3,834,191	4,816,734
	190,173,730	196,702,715	193,106,967

23. TAXES

The components of tax expense for the years ended December 31 are as follows:

(Amounts in PHP)	**2024**	2023	2022
Reported in profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 25%:			
Regular banking unit (RBU)	**514,656,066**	531,074,234	635,251,297
FCDU	**4,946,362**	8,692,025	3,107,463
Final tax at 20% and 10%	**246,275,477**	221,645,541	133,438,308
	765,877,905	761,411,800	771,797,068
Deferred tax expense relating to:			
Origination and reversal of temporary Differences	**(151,851,593)**	(246,077,166)	(220,767,026)
	614,026,312	515,334,634	551,030,042
Reported in other comprehensive income			
Deferred tax expense (income) relating to:			
Origination and reversal of temporary differences	**(1,679,000)**	(9,885,067)	6,240,093

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of profit or loss is presented below.

(Amounts in PHP)	**2024**	2023	2022
Tax on pretax profit at 25%	**599,024,233**	584,837,904	465,619,884
Adjustment for income subjected to lower tax rate	**(67,735,731)**	(34,589,791)	(30,453,805)
Tax effects of:			
Non-taxable income	**175,420,918**	(159,759,230)	(58,830,592)
Non-deductible expenses	**(92,683,108)**	124,845,751	174,694,555
	614,026,312	515,334,634	551,030,042

In 2024 and 2023, the Bank is subject to minimum corporate income tax (MCIT) computed at 2.00% and 1.50% of gross income, net of allowable deductions, respectively, as defined under the tax regulations or to RCIT, whichever is higher. No MCIT was reported in 2024 and 2023 as the RCIT was higher than MCIT in those years.

The net deferred tax assets as of December 31, 2024 and 2023 relate to the following:

(Amounts in PHP)	**2024**	2023
Deferred tax assets:		
Allowance for impairment	**1,678,251,195**	1,567,434,277
Lease liabilities	**138,139,437**	114,128,222
Accumulated depreciation of investment properties	**64,542,514**	51,767,253
Post-employment benefit	**19,303,485**	23,883,082
Provision for bonus and accrued leave conversion	**21,221,309**	12,384,450
Unamortized past service cost	**6,061,569**	6,209,456
	1,927,519,509	1,775,806,740
Deferred tax liabilities:		
Right-of-use assets	**(126,901,818)**	(104,692,890)
Accrued interest receivable	**(20,499,523)**	(43,268,992)
Unamortized payments on documentary stamp tax	**(13,845,202)**	(15,102,486)
	(161,246,543)	(163,064,368)
Net deferred tax assets	**1,766,272,966**	1,612,742,372

The movements in net deferred tax assets for the years ended December 31 follow:

(Amounts in PHP)	Statements of Profit or Loss			Statements of Comprehensive Income		
	2024	2023	2022	**2024**	2023	2022
Impairment losses	**(110,816,918)**	(236,356,650)	(194,985,691)	**-**	-	-
Lease liabilities	**(24,011,215)**	(30,857,152)	(20,814,462)	**-**	-	-
Accrued interest income	**(22,769,469)**	(6,835,810)	(15,403,290)	**-**	-	-
Amortization of right-of-use assets	**22,208,928**	32,938,372	23,675,414	**-**	-	-
Depreciation expense of investment properties	**(12,775,261)**	(13,664,407)	(11,487,088)	**-**	-	-
Provision for director's bonus	**(8,836,858)**	7,364,236	-	**-**	-	-
Post-employment benefit	**6,258,597**	(5,777,113)	-	**-**	-	-
Unamortized payments on documentary stamp tax	**(1,257,284)**	7,928,723	(1,546,328)	**-**	-	-
Unamortized past service cost	**147,887**	625,467	(1,909,808)	**(1,679,000)**	(9,885,067)	6,240,093
Gain on bargain purchase	**-**	(1,442,832)	1,704,227	**-**	-	-
Deferred tax expense (income)	**(151,851,593)**	(246,077,166)	(220,767,026)	**(1,679,000)**	(9,885,067)	6,240,093

As of December 31, 2024 and 2023, the Bank has unrecognized deferred tax assets amounting to P6.7 million and P4.7 million, respectively, relating to certain allowance for impairment.

The management believes that the related unrecognized deferred tax assets will not be utilized in the subsequent periods. For the years ended December 31, 2024 and 2023, the Bank opted to claim itemized deductions. The Bank is also subject to percentage and other taxes, which consist principally of gross receipts tax or GRT, presented as part of Taxes and licenses in the Statements of profit or loss.

24. COMMITMENTS AND CONTINGENT LIABILITIES

The following are the commitment contingent liabilities of the Bank:

(a) In the normal course of the Bank's operations, the Bank has various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, and others, which are not reflected in the financial statements.

(b) There are other commitments, guarantees and contingent liabilities that arise in the normal course of the Bank's operations that are not reflected in the financial statements. The Bank recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable.

As of December 31, 2024 and 2023, management is of the opinion that losses, if any, from the foregoing items will not have a material effect on the Bank's financial statements.

25. TRUST OPERATIONS

The Bank acts as a trustee and in other fiduciary capacity that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and their income arising thereon are excluded from these financial statements, as these are neither resources nor income of the Bank.

As of December 31, 2024 and 2023, the following securities and other properties held by the Bank in fiduciary or agency capacity (for a fee) for its customers are not included in the statements of financial position since these are not resources of the Bank [(see Note 29(h)]:

(Amounts in PHP)	**2024**	2023
Loans and other receivables	**527,386,263**	1,072,008,144
Due from banks	**4,244,912,371**	3,235,657,573
Investment securities	**5,198,101,568**	4,673,867,710
Other assets	**-**	2,484,000,000
	9,970,400,202	11,465,533,427

In compliance with the requirements of the General Banking Act relative to the Bank's trust functions:

(a) Government securities owned by the Bank with face value of P375.0 million and P130.0 million as of December 31, 2024 and 2023 are deposited with the BSP (see Note 10.2); and,

(b) Ten percent of the trust income is transferred to the appropriated surplus. This transfer is required until the surplus reserve for trust function is equivalent to 20% of the Bank's authorized capital stock (see Note 19.3). Additional reserve for trust functions amounted to P4.2 million, P4.1 million and P5.4 million in 2024, 2023 and 2022, respectively, and are presented as part of Appropriated Surplus in the Bank's statements of changes in equity.

Income from trust operations, shown as part of Miscellaneous Income in the statements of profit or loss, amounted to P42.1 million, P41.2 million and P53.9 million in 2024, 2023 and 2022, respectively (see Note 20.1).

26. ALLOWANCE FOR IMPAIRMENT

A reconciliation of allowance for impairment at the beginning and end of 2024 and 2023 are summarized below.

(Amounts in PHP)	Notes	**2024**	2023
Balance at beginning of year:			
Loans and other receivables	11	**5,925,505,102**	4,992,803,070
Investment properties	13	**345,461,332**	335,215,368
Investment securities at amortized cost	10.3	**15,777,698**	13,299,092
Other resources	14	**1,654,737**	1,654,737
		6,288,398,869	5,342,972,267
Impairment losses – net	10.3, 11, 13	**958,395,769**	1,053,438,713
Write-offs	11	**520,059,096**	108,012,111
		438,336,673	945,426,602
Balance at end of year:			
Loans and other receivables	11	**6,435,438,678**	5,925,505,102
Investment properties	13	**260,133,664**	345,461,332
Investment securities at amortized cost	10.3	**15,777,698**	15,777,698
Other resources	14	**15,385,502**	1,654,737
		6,726,735,542	6,288,398,869

27. EARNINGS PER SHARE

Basic and diluted earnings per share are computed as follows:

(Amounts in PHP)	**2024**	2023	2022
Net profit	**1,782,070,621**	1,824,016,980	1,311,449,494
Dividends on preferred shares	**(39,600,000)**	(39,600,000)	(118,800,000)
Net profit attributable to common shareholders	**1,742,470,621**	1,784,416,980	1,192,649,494
Divided by the weighted average number of outstanding common shares	**818,750,094**	799,572,012	643,750,094
Basic earnings per share	**2.13**	2.23	1.85

As of December 31, 2024, 2023 and 2022, the Bank has no outstanding potentially dilutive securities; hence, basic earnings per share is equal to diluted earnings per share.

28. SUPPLEMENTARY INFORMATION TO STATEMENTS OF CASH FLOWS

28.1 Significant Non-cash Transactions

Significant non-cash transactions in 2024 are as follows:

- The Bank has recognized additional right-of-use assets and lease liabilities amounting to P271.7 million (see Notes 12 and 17) relating to renewal of leases.

- The Bank has foreclosed and repossessed (or through dacion in payment) certain real and chattel properties amounting to P607.8 million and P110.4 million, respectively (see Notes 13 and 14.4).

Significant non-cash transactions in 2023 are as follows:

- The Bank has recognized additional right-of-use assets and lease liabilities amounting to P289.4 million (see Notes 12 and 17) relating to renewal of leases.

- The Bank has foreclosed and repossessed (or through dacion in payment) certain real and chattel properties amounting to P427.6 million and P35.3 million, respectively (see Notes 13 and 14.4).

Significant non-cash transactions in 2022 are as follows:

- The Bank has recognized additional right-of-use assets and lease liabilities amounting to P228.9 million (see Notes 12 and 17) relating to renewal of leases.

- The Bank has foreclosed and repossessed (or through dacion in payment) certain real and chattel properties amounting to P788.0 million and P230.6 million, respectively (see Notes 13 and 14.4).

28.2 Reconciliation of Liabilities Arising from Financing Activities

Presented below is the reconciliation of the Bank's liabilities arising from financing activities, which includes both cash and non-cash changes.

(Amounts in PHP)	**Bills Payable** (see Note 16)	**Corporate Notes Payable**	**Lease Liabilities** (see Note 17)	**Total Financing Activities**
Balance at January 1, 2024	4,750,000,000	-	456,512,888	5,206,512,888
Cash flow from financing activities:				
Availment	25,862,500,000	-	-	25,862,500,000
Payments/redemption	(26,050,000,000)	-	(175,615,511)	(26,225,615,511)
Non-cash financing activities:				
Additions to lease liabilities	-	-	271,660,369	271,660,369
Balance at December 31, 2024	**4,562,500,000**	**-**	**552,557,746**	**5,115,057,746**
Balance at January 1, 2023	1,500,000,000	-	333,084,279	1,833,084,279
Cash flow from financing activities:				
Availment	4,500,000,000	-	-	4,500,000,000
Payments/redemption	(1,250,000,000)	-	(165,946,559)	(1,415,946,559)
Non-cash financing activities:				
Additions to lease liabilities	-	-	289,375,168	289,375,168
Balance at December 31, 2023	4,750,000,000	-	456,512,888	5,206,512,888
Balance at January 1, 2022	-	2,995,352,640	249,826,430	3,245,179,070
Cash flow from financing activities:				
Availment	2,000,000,000	-	-	2,000,000,000
Payments/redemption	(500,000,000)	(3,000,000,000)	(145,630,698)	(3,645,630,698)
Non-cash financing activities:				
Amortization of discount	-	4,647,360	-	4,647,360
Additions to lease liabilities	-	-	228,888,547	228,888,547
Balance at December 31, 2022	1,500,000,000	-	333,084,279	1,833,084,279

29. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below and in the succeeding pages are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP Manual of Regulations for Banks (MORB) to be disclosed as part of the notes to financial statements based on BSP Circular No. 1074, *Amendments to Regulations on Financial Audit of Banks*.

(a) Selected Financial Performance Indicators

The following are some indicators of the Bank's financial performance.

	2024	2023	2022
Return on average capital			
Net profit / Average total capital accounts	**9.5%**	11.2%	9.0%
Return on average resources			
Net profit / Average total resources	**1.1%**	1.3%	1.0%
Net interest margin			
Net interest income / Average interest earning resources	**4.3%**	4.6%	4.3%

(b) Capital Instruments Issued

As of December 31, 2024 and 2023, the Bank has no capital instruments considered in the computation of the Bank's regulatory and qualifying capital in accordance with Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which may include, instruments recorded as part of equity or a financial liability qualifying as Tier 2 capital.

(c) *Significant Credit Exposures for Loans*

The Bank's concentration of credit as to industry for its receivables from customers, gross of unamortized charges, unearned discount, and allowance for ECL, follows:

(Amounts in thousands PHP)	**2024**		2023	
	Amount	**Percentage**	Amount*	Percentage
Wholesale and retail trade	**49,602,164**	**37.5%**	42,733,376	36.0%
Construction	**17,851,404**	**13.5%**	11,585,188	9.9%
Manufacturing	**15,528,996**	**11.7%**	13,462,005	11.5%
Real estate activities	**13,468,754**	**10.2%**	16,229,449	13.9%
Financial and insurance activities	**7,195,245**	**5.4%**	5,679,964	4.9%
Accommodation and food service Activities	**5,686,901**	**4.3%**	4,809,751	4.1%
Transportation and storage	**5,242,346**	**4.0%**	5,422,045	4.6%
Electricity, gas, steam and air-conditioning supply	**4,374,963**	**3.3%**	4,637,011	4.0%
Consumption	**3,481,168**	**2.6%**	3,567,826	3.0%
Water supply, sewerage, waste management and remediation activities	**2,311,234**	**1.7%**	2,748,564	2.3%
Agriculture, forestry and fishing	**1,404,575**	**1.1%**	1,367,624	1.2%
Administrative and support services	**1,178,146**	**0.9%**	1,466,559	1.3%
Information and communication	**994,694**	**0.8%**	245,135	0.2%
Mining and quarrying	**916,599**	**0.7%**	988,877	0.9%
Professional, scientific, and technical activities	**559,154**	**0.4%**	1,332,678	1.1%
Education	**314,602**	**0.2%**	296,080	0.3%
Arts, entertainment and recreation	**46,210**	**0.0%**	20,710	0.0%
Human health and social service Activities	**29,024**	**0.0%**	34,112	0.0%
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	**3,331**	**0.0%**	3,331	0.0%
Other service activities	**2,279,532**	**1.7%**	878,221	0.8%
	132,469,042	**100%**	117,508,506	100%

** Excludes unamortized charges from capitalized commission amounting to nil and P0.3 million in 2024 and 2023, respectively.*

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable or 10% of Tier 1 capital.

As of December 31, 2024 and 2023, 10% of Tier 1 capital amounted to P1.7 billion and P1.6 billion, respectively, and the table below shows the industry groups exceeding this level.

(Amounts in thousands PHP)	**2024**	2023
Wholesale and retail trade	**49,602,164**	42,399,980
Construction	**17,851,404**	11,585,188
Manufacturing	**15,528,996**	13,462,005
Real estate activities	**13,468,754**	16,229,449
Financial and insurance activities	**7,195,245**	5,679,964
Accommodation and food service activities	**5,686,901**	4,809,751
Transportation and storage	**5,242,346**	5,422,045
Electricity, gas, steam and air-conditioning supply	**4,374,963**	4,637,011
Consumption	**3,481,168**	3,567,826
Water supply, sewerage, waste management and remediation activities	**2,311,234**	2,748,564

(d) *Credit Status of Loans*

The breakdown of receivable from customers as to status is shown below and in the succeeding page.

(Amounts in thousands PHP)	**2024**		
	Performing	**Non-performing**	**Total Loan Portfolio**
Gross carrying amount:			
Corporate	**114,531,845**	**6,813,814**	**121,345,659**
Consumer	**9,895,841**	**660,797**	**10,556,638**
	124,427,686	**7,474,611**	**131,902,297**
Allowance for ECL	**2,155,443**	**4,114,681**	**6,270,124**
Net carrying amount	**122,272,243**	**3,359,930**	**125,632,173**

	2023		
	Performing	Non-performing	Total Loan Portfolio
Gross carrying amount:			
Corporate	102,803,516	6,240,210	109,043,726
Consumer	7,697,307	434,077	8,131,384
	110,500,823	6,674,287	117,175,110
Allowance for ECL	1,949,377	3,786,867	5,736,244
Net carrying amount	108,551,446	2,887,420	111,438,866

As of December 31, 2024 and 2023, the non-performing loans (NPLs) not fully covered by allowance for credit losses follow:

(Amounts in thousands PHP)	**2024**	2023
Gross NPLs	**7,474,611**	6,674,287
NPLs fully covered by allowance for impairment	**(4,114,681)**	(3,786,867)
	3,359,930	2,887,420

Under banking regulations, loan accounts shall be considered non-performing, even without any missed contractual payments, when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal or interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least 6 months; or (b) written off.

Restructured loans amount to P5,216.9 million and P4,505.4 million as of December 31, 2024 and 2023, respectively. The related allowance for credit loss of such loans amounted to P628.7 million and P494.5 million as of December 31, 2024 and 2023, respectively.

Interest income recognized on impaired loans and receivables amounted to P498.6 million and P388.4 million in 2024 and 2023, respectively.

(e) Analysis of Loan Portfolio as to Type of Security

As to security, receivable from customers (excluding unamortized charges from capitalized commission), gross of allowance and unearned discount, are classified into the following:

(Amounts in thousands PHP)	**2024**	2023
Secured:		
Real estate mortgage	**64,010,388**	48,314,969
Chattel mortgage	**7,940,182**	7,738,251
Deposit hold-out	**7,328,578**	5,166,680
	79,279,148	61,219,900
Unsecured	**52,623,149**	55,955,210
	131,902,297	117,175,110

(f) Information on Related Party Loans

In the ordinary course of business, the Bank has loan transactions with their other affiliates, and with certain DOSRI. Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

Under the current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Bank and/or any of its lending and nonbank financial subsidiaries. In the aggregate, loans to DOSRIs, generally, should not exceed the total equity or 15% of the total loan portfolio of the Bank. However, non-risk loans are excluded in both individual and aggregate ceiling computation.

The following table shows the information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31, 2024 and 2023 in accordance with BSP reporting guidelines:

(Amounts in thousands PHP)	**DOSRI Loans**		**Related Party Loans (inclusive of DOSRI)**	
	2024	2023	**2024**	2023
Total outstanding loans	**706,125**	705,361	**925,084**	953,478
% of loans to total loan portfolio	**0.53%**	0.60%	**0.70%**	0.81%
% of unsecured loans to total DOSRI/related party loans	**6.60%**	6.72%	**5.04%**	4.97%
% of past due loans to total DOSRI / related party loans	**0.0%**	0.05%	**2.83%**	3.0%
% of non-performing loans to total DOSRI/related party loans	**0.0%**	0.0%	**2.83%**	3.0%

Secured DOSRI loans are collateralized by hold-out on deposits and are payable within three months to five years.

As of December 31, 2024 and 2023, the Bank is in compliance with these regulatory requirements.

(g) Secured Liabilities and Assets Pledged as Security

As of December 31, 2024 and 2023, certain loan and other receivables amounting to P297.0 million and P500.0 million, were used to secure a P62.5 million short-term bills payable and a P500.0 million long-term bills payable, respectively.

As of December 31, 2024 and December 31, 2023, certain government securities at FVOCI with a total amount of P4,054.7 million P3,650.0 million are assigned as collateral to secure borrowings under credit line agreement amounting to P3,000.0 million.

The summary of the Bank's commitments and contingent accounts arising from transactions not given recognition in the statements of financial position, expressed at their equivalent peso contractual amounts as of December 31, 2024 and 2023 are as follows:

(Amounts in PHP)	**2024**	2023
Trust and other fiduciary accounts	**9,970,400,202**	11,465,533,427
Outstanding letters of credit	**667,520,632**	1,229,113,440
Late payment/deposits received	**4,678,643**	5,441,887
Outward bills for collection	**3,305,997**	1,626,771
Items held as collateral	**106,443**	108,581
Items held for safekeeping	**82,893**	70,007
Other contingent accounts	**2,365,909,581**	2,090,052,393

30. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

The following is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year which is required by the Bureau of Internal Revenue (BIR) under Revenue Regulation No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS Accounting Standards.

(a) *Gross Receipts Tax*

In lieu of the value-added tax, the Bank is subject to the Gross Receipts Tax (GRT), pursuant to Sections 121 and 122 of the Tax Code, which is imposed on banks, non-banks financial intermediaries and finance companies.

In 2024, the Bank reported total GRT amounting to P501,514,854.

GRT is levied on the Bank's lending income, which includes interest, commission and discounts arising from instruments with a maturity of five years or less and other income. The tax is computed at the prescribed rates of either 5% or 1% of the related income.

(b) *Documentary Stamp Tax*

The Bank is enrolled under the Electronic Documentary Stamp Tax (e-DST) System starting July 2010. In 2024, DST remittance thru e-DST amounted to P1,065,029,137, while DST on deposits for remittance amounted to P431,920,720. In general, the Bank's DST transactions arise from the execution of debt instruments, lease contracts and deposit liabilities.

DST on loan documents and letters of credit in 2024 amounting to P633,108,417 were charged to borrowers and these were properly remitted by the Bank.

DST accruing to the Bank amounted to P471,360,951 and is presented as part of the Taxes and Licenses in the 2024 statement of profit or loss.

Details of taxes and licenses for the year ended December 31, 2024 are as follows:

(Amounts in PHP)

Gross receipts tax	501,514,854
DST	471,360,951
Business tax	28,046,224
Miscellaneous	3,408,603
	1,004,330,612

DST includes an unamortized amount of P25.3 million recognized as deductible in full for income tax purposes.

(d) *Withholding Taxes*

Details of total withholding taxes for the year ended December 31, 2024 are shown below.

(Amounts in PHP)

Final	726,477,917
Compensation and benefits	89,336,420
Expanded	46,084,815
	861,899,152

(e) *Deficiency Tax Assessments and Tax Cases*

As of December 31, 2024, the Bank does not have any outstanding final deficiency tax assessments from the BIR nor does it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR in any open taxable year.

(f) *Other Required Tax Information*

The Bank did not have any transactions in 2024, which are subject to excise tax, customs duties, and tariff fees.

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