Maybank Philippines, Incorporated

Financial Statements
December 31, 2024 and 2023

and

Independent Auditor's Report

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Maybank Philippines, Incorporated

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Maybank Philippines, Incorporated (the Bank) which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the 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 the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's 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 audit 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.

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.

Auditor's 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 auditor's 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 PSAs 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 PSAs, 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 auditor's 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 auditor's 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.

Report on the Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB) and Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of the MORB in Note 32 and Revenue Regulations 15-2010 in Note 33 to the financial statements is presented for purposes of filing with the Bangko Sentral ng Pilipinas and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Maybank Philippines, Incorporated. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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April 25, 2025

MAYBANK PHILIPPINES, INCORPORATED
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2024	2023
ASSETS		
Cash and Other Cash Items	**₱1,956,185,744**	₱1,875,648,564
Due from Bangko Sentral ng Pilipinas (Note 13)	**8,084,429,325**	10,043,340,662
Due from Other Banks (Note 28)	**508,236,828**	487,280,941
Interbank Loans Receivable and Securities Purchased under Resale Agreements (SPURA) (Note 6)	**2,529,840,390**	11,191,350,712
Financial Assets at Fair Value Through Profit or Loss (Notes 5, 7 and 17)	**2,521,808,282**	3,247,408,444
Financial Assets at Fair Value Through Other Comprehensive Income (Notes 5 and 8)	**14,322,875,783**	13,412,315,700
Investment Securities at Amortized Cost (Note 8)	**14,136,999,954**	11,196,651,615
Loans and Receivables (Note 9)	**62,025,190,679**	55,260,517,183
Property and Equipment (Note 10)	**294,164,268**	304,437,115
Right-of-Use Assets (Note 24)	**634,319,519**	567,834,390
Investment Properties (Note 11)	**1,800,121,153**	2,076,994,419
Deferred Tax Assets (Note 25)	**1,006,121,158**	1,119,845,338
Other Assets (Note 12)	**876,903,774**	728,340,362
TOTAL ASSETS	**₱110,697,196,857**	₱111,511,965,445
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities (Notes 13 and 28)		
Demand	**₱24,544,060,368**	₱24,068,523,547
Savings	**19,708,866,423**	18,629,985,623
Time	**31,552,414,791**	31,658,135,393
	75,805,341,582	74,356,644,563
Bills Payable (Notes 14 and 28)	**14,808,320,000**	13,953,240,000
Accrued Interest, Taxes and Other Expenses (Note 15)	**827,178,597**	975,141,671
Lease Liabilities (Note 24)	**756,008,213**	722,844,118
Financial Liabilities at Fair Value through Profit or Loss (Notes 7 and 17)	**163,409,014**	83,137,059
Manager's Checks	**709,259,872**	986,697,492
Income Tax Payable	**28,841,261**	7,014,915
Other Liabilities (Note 16)	**5,630,618,073**	7,477,415,047
	98,728,976,612	98,562,134,865
EQUITY		
Preferred Stock (Note 19)	**232,539,724**	232,539,724
Common Stock (Note 19)	**10,313,344,184**	10,313,344,184
Surplus Reserve (Note 19)	**71,228,902**	68,715,134
Surplus	**1,735,658,344**	2,710,945,762
Net Unrealized Losses on Financial Assets at Fair Value Through Other Comprehensive Income (Note 8)	**(294,365,115)**	(268,497,572)
Remeasurement Losses on Retirement Plan (Note 20)	**(91,020,882)**	(105,808,400)
Cumulative Translation Adjustment	**1,218,693**	(1,024,647)
Treasury Shares (Note 19)	**(383,605)**	(383,605)
	11,968,220,245	12,949,830,580
TOTAL LIABILITIES AND EQUITY	**₱110,697,196,857**	₱111,511,965,445

See accompanying Notes to Financial Statements.

MAYBANK PHILIPPINES, INCORPORATED
STATEMENTS OF INCOME (LOSS)

	Years Ended December 31	
	2024	2023
INTEREST INCOME ON		
Loans and receivables (Notes 9 and 28)	**₱4,849,614,874**	₱3,918,056,695
Financial investments (Notes 7, 8 and 17)	**1,295,322,069**	1,289,917,733
Interbank loans receivable and securities purchased under resale agreements	**128,186,479**	301,963,538
Due from Bangko Sentral ng Pilipinas and other banks (Note 28)	**191,925,336**	226,212,364
	6,465,048,758	5,736,150,330
INTEREST EXPENSE ON		
Deposit liabilities (Notes 13 and 28)	**2,219,275,578**	1,343,391,344
Bills payable (Notes 14 and 28)	**525,033,658**	558,399,933
Financial liabilities at fair value through profit or loss (Note 17 and 28)	**3,421,425**	3,158,718
Lease liabilities (Note 24)	**62,662,384**	58,744,678
	2,810,393,045	1,963,694,673
NET INTEREST INCOME	**3,654,655,713**	3,772,455,657
OTHER INCOME AND CHARGES		
Service charges, fees and commissions (Notes 22 and 28)	**727,879,984**	580,581,779
Gain (loss) on sale of properties (Note 10)	**(39,732,914)**	9,226,205
Trading gains - net (Note 21)	**88,752,775**	110,149,826
Foreign exchange gains (losses) – net	**79,937,000**	(27,548,265)
Gain on foreclosures	**133,109,441**	123,836,393
Miscellaneous (Note 23)	**124,273,214**	169,459,454
TOTAL OPERATING INCOME	**4,768,875,213**	4,738,161,049
OTHER EXPENSES AND CHARGES		
Compensation and fringe benefits (Notes 20 and 28)	**1,892,135,856**	1,677,033,798
Taxes and licenses	**641,801,265**	496,723,903
Depreciation and amortization (Notes 10, 11, 12 and 24)	**584,693,998**	470,276,896
Provision for (recovery of) impairment and credit losses (Notes 7, 8, 9, 11, 12 and 16)	**476,024,640**	(215,773,232)
Information technology (Note 28)	**296,678,700**	243,050,528
Security, messengerial and janitorial	**165,301,591**	148,228,701
Insurance	**159,948,246**	148,296,037
Litigation and assets acquired (Note 11)	**137,927,698**	161,278,991
Occupancy (Note 24)	**134,885,093**	148,449,776
Management and other professional fees	**50,611,656**	22,591,387
Postage, telephone and telegrams	**48,285,071**	34,584,149
Traveling	**22,727,139**	23,889,100
Stationery and supplies used	**21,445,376**	15,902,078
Entertainment, amusement and recreation	**757,661**	1,288,583
Miscellaneous (Note 23)	**640,502,554**	695,249,668
TOTAL OPERATING EXPENSES	**5,273,726,544**	4,071,070,363
INCOME (LOSS) BEFORE INCOME TAX	**(504,851,331)**	667,090,686
PROVISION FOR INCOME TAX (Note 25)	**467,922,319**	534,109,482
NET INCOME (LOSS)	**(₱972,773,650)**	₱132,981,204

See accompanying Notes to Financial Statements.

MAYBANK PHILIPPINES, INCORPORATED
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years Ended December 31	
	2024	2023
NET INCOME (LOSS)	**(₱972,773,650)**	₱132,981,204
OTHER COMPREHENSIVE INCOME (LOSS)		
***Items that may be reclassified to profit or loss in subsequent periods*:**		
Net change in unrealized gains (losses) on financial assets at fair value through other comprehensive income (Note 8)	**(25,867,543)**	108,812,992
Cumulative translation adjustment	**2,243,340**	(6,900,100)
Item that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement gains (losses) on retirement plan (Note 20)	**14,787,518**	(84,436,296)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**(8,836,685)**	17,476,596
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱981,610,335)**	₱150,457,800

See accompanying Notes to Financial Statements.

MAYBANK PHILIPPINES, INCORPORATED
STATEMENTS OF CHANGES IN EQUITY

	Preferred Stock (Note 19) "A"	Preferred Stock (Note 19) "B"	Preferred Stock (Note 19) "C"	Preferred Stock (Note 19) Subtotal	Common Stock (Note19)	Surplus Reserve (Note19)	Surplus	Net Unrealized Losses on Financial Assets at Fair Value Through Other Comprehensive Income (Note7)	Remeasurement Losses on Retirement Plan (Note20)	Cumulative Translation Adjustment	Treasury Shares (Note19)	Total
Balances at January 1, 2024	**₱4,440,000**	**₱8,880,000**	**₱219,219,724**	**₱232,539,724**	**₱10,313,344,184**	**₱68,715,134**	**₱2,710,945,762**	**(₱268,497,572)**	**(₱105,808,400)**	**(₱1,024,647)**	**(₱383,605)**	**₱12,949,830,580**
Net income (loss)	–	–	–	–	–	–	**(972,773,650)**	–	–	–	–	**(972,773,650)**
Other comprehensive income (loss)	–	–	–	–	–	–	–	**(25,867,543)**	**14,787,518**	**2,243,340**	–	**(8,836,685)**
Total comprehensive income (loss)	–	–	–	–	–	–	**(972,773,650)**	**(25,867,543)**	**14,787,518**	**2,243,340**	–	**(981,610,335)**
Transfer to surplus reserve (Note 19)	–	–	–	–	–	**2,513,768**	**(2,513,768)**	–	–	–	–	–
Balances at December 31, 2024	**₱4,440,000**	**₱8,880,000**	**₱219,219,724**	**₱232,539,724**	**₱10,313,344,184**	**₱71,228,902**	**₱1,735,658,344**	**(₱294,365,115)**	**(₱91,020,882)**	**₱1,218,693**	**(₱383,605)**	**₱11,968,220,245**
Balances at January 1, 2023	₱4,440,000	₱8,880,000	₱219,219,724	₱232,539,724	₱10,313,344,184	₱66,069,787	₱3,096,094,212	(₱377,310,564)	(₱21,372,104)	₱5,875,453	(₱383,605)	₱13,314,857,087
Net income	–	–	–	–	–	–	132,981,204	–	–	–	–	132,981,204
Other comprehensive income (loss)	–	–	–	–	–	–	–	108,812,992	(84,436,296)	(6,900,100)	–	17,476,596
Total comprehensive income (loss)	–	–	–	–	–	–	132,981,204	108,812,992	(84,436,296)	(6,900,100)	–	150,457,800
Transfer to surplus reserve	–	–	–	–	–	2,645,347	(2,645,347)	–	–	–	–	–
Dividend	–	–	–	–	–	–	(515,484,307)	–	–	–	–	(515,484,307)
Balances at December 31, 2023	₱4,440,000	₱8,880,000	₱219,219,724	₱232,539,724	₱10,313,344,184	₱68,715,134	₱2,710,945,762	(₱268,497,572)	(₱105,808,400)	(₱1,024,647)	(₱383,605)	₱12,949,830,580

See accompanying Notes to Financial Statements.

MAYBANK PHILIPPINES, INCORPORATED
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	**(₱504,851,331)**	₱667,090,686
Adjustments for:		
Net loss (gain) on sale of:		
Investment properties and other properties acquired	**41,078,207**	(1,198,928)
Property and equipment	**(1,345,292)**	(8,027,278)
Depreciation and amortization (Notes 10, 11, 12 and 24)	**584,693,998**	470,276,896
Provision for (recovery of) impairment and credit losses (Notes 8, 9,11, 12 and 16)	**476,024,640**	(215,773,232)
Amortization of premium/discount	**(398,856,700)**	(467,599,455)
Gain on foreclosure of investment properties and other properties acquired	**(133,109,441)**	(123,836,393)
Unrealized trading loss (gain) (Note 7)	**15,049,798**	(89,609,176)
Retirement expense (Note 20)	**97,188,161**	83,836,534
Interest expense on lease contracts (Note 24)	**62,662,384**	58,744,678
Realized trading loss (gain) on sale of financial assets at FVOCI investments (Note 21)	**(28,165,162)**	(2,041,639)
Changes in operating assets and liabilities:		
Decreases (increases) in the amounts of:		
Financial assets at fair value through profit or loss	**710,550,364**	(2,857,423,635)
Loans and receivables	**(8,391,607,844)**	(10,916,306,839)
Other assets	**(163,319,758)**	151,362,069
Increases (decreases) in the amounts of:		
Deposit liabilities	**1,448,697,019**	11,814,767,388
Financial liabilities at fair value through profit or loss	**80,271,955**	(281,826,158)
Accrued interest, taxes and other expenses	**(147,963,074)**	3,357,207
Manager’s checks and outstanding acceptances	**(277,437,620)**	377,913,264
Other liabilities	**(1,854,367,705)**	5,534,179,327
Net cash provided by operations	**(8,384,807,401)**	4,197,885,316
Retirement contribution (Note 20)	**(97,188,161)**	(83,836,534)
Income taxes paid	**(332,371,793)**	(366,740,907)
Net cash provided by operating activities	**(8,814,367,355)**	3,747,307,875
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at FVOCI	**(73,921,122,659)**	(98,912,233,490)
Financial assets at amortized cost	**(17,166,040,090)**	(928,145,223)
Property and equipment (Note 10)	**(78,929,400)**	(112,559,693)
Software costs (Note 12)	**(29,920,255)**	(355,061,505)
Proceeds from:		
Sale and maturities of financial assets at FVOCI	**73,373,194,538**	92,595,172,677
Maturities of financial assets at amortized cost	**14,287,925,931**	3,207,968,300
Disposals of property and equipment (Note 10)	**1,122,686**	12,247,375
Disposals of investment properties and other properties acquired (Notes 11 and 12)	**1,213,408,742**	571,223,741
Net cash used in investing activities	**(2,320,360,507)**	(3,921,387,818)

(Forward)

	Years Ended December 31	
	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of bills payable	**₱1,962,552,355,000**	₱1,896,658,922,600
Settlement of bills payable	**(1,961,697,275,000)**	(1,889,675,057,600)
Dividends paid (Note 19)	**–**	(515,484,307)
Payment of lease liabilities (Note 24)	**(241,524,070)**	(201,489,398)
Net cash provided by (used in) financing activities	**613,555,930**	6,266,891,295
CUMULATIVE TRANSLATION ADJUSTMENT	**2,243,340**	(6,900,100)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(10,518,928,592)**	6,085,911,252
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	**1,875,648,564**	1,653,209,339
Due from Bangko Sentral ng Pilipinas (BSP)	**10,043,340,662**	12,086,275,716
Due from other banks	**487,280,941**	1,121,021,156
Interbank loans receivable and SPURA	**11,191,350,712**	2,651,203,416
	23,597,620,879	17,511,709,627
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	**1,956,185,744**	1,875,648,564
Due from BSP	**8,084,429,325**	10,043,340,662
Due from other banks	**508,236,828**	487,280,941
Interbank loans receivable and SPURA	**2,529,840,390**	11,191,350,712
	₱13,078,692,287	₱23,597,620,879

OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	**₱6,000,097,042**	₱5,308,731,621
Interest paid	**2,713,315,727**	1,864,150,029

See accompanying Notes to Financial Statements.

MAYBANK PHILIPPINES, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Maybank Philippines, Incorporated (the Bank) is a commercial bank incorporated in the Philippines on January 3, 1953 to provide banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange and trust services. The Bank is 99.86% owned by Malayan Banking Berhad (the Parent Company) incorporated in Malaysia.

At the end of 2024 and 2023, the Bank has 60 branches, 9 branch-lite units and 69 on-site and off-site ATMs and 60 branches, 5 branch-lite units and 69 on-site and off-site ATMs, respectively. On August 14, 2024, the Bank officially launched its Islamic banking operations after receiving approval from the Bangko Sentral ng Pilipinas (BSP) on July 4, 2024, becoming the first private commercial bank in the Philippines to offer Shariah-compliant financial services.

The Bank's principal and registered place of business is Maybank Corporate Centre, 7th Avenue corner 28th Street, Bonifacio Global City, Taguig City.

2. Summary of Material Accounting Policy Information

<u>Basis of Preparation</u>
The accompanying financial statements have been prepared on a historical cost basis except for financial instruments at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value.

The financial statements of the Bank reflect the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU).

The functional currency of the RBU and FCDU is Philippine peso (PHP) and United States dollar (US$), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP. The financial statements of these units are combined after eliminating inter-unit accounts.

Amounts are presented to the nearest PHP unless otherwise stated.

<u>Statement of Compliance</u>
The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

<u>Presentation of Financial Statements</u>
The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery (asset) or settlement (liability) within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 18.

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. The Bank assesses that they have currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Bank or its counterparties.

Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

Changes in Accounting Policies and Disclosures
The Bank applied for the first-time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2024. Unless otherwise indicated, adoption of these pronouncements did not have an impact on the Bank's financial position or performance.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral rights;
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

- Amendments to PAS 16, *Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

Material Accounting Policy Information

Foreign Currency Translation
Transactions and balances
The books of accounts of the RBU are maintained in PHP, those of the FCDU are maintained in US$. For financial reporting purposes, the foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the end of the year (for assets and liabilities) and at the exchange rates prevailing at transaction dates (for income and expenses). Foreign exchange differences arising from foreign currency translation and revaluation of foreign currency-denominated assets and liabilities in the RBU, except for nonmonetary assets, are credited to or charged against operations in the year in which the rates change.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

FCDU
As at the reporting date, the assets and liabilities of the FCDU are translated into the Bank's presentation currency at the BAP closing rate prevailing at the reporting date, and its income and expenses are translated at the exchange rates prevailing at transaction dates. Exchange differences arising on translation are taken directly to other comprehensive income (OCI) under 'Cumulative translation adjustment' in the statement of comprehensive income.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (COCI), foreign currency notes and coins, petty cash fund, due from BSP and other banks, interbank loans receivable and securities purchased under resale agreements (SPURA) with the BSP that are convertible to known amounts of cash with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in value.

Due from BSP includes the statutory reserves required by the BSP which the Bank considers as cash equivalents wherein withdrawals can be made to meet the Bank's cash requirements as allowed by the BSP.

Financial Instruments - Initial Recognition and Subsequent Measurement
Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Bank recognizes a financial asset or financial liability in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Date of recognition
Regular way purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Bank. Any change in fair value of financial asset is recognized in the statement of income for financial assets at FVTPL and in OCI for assets classified as FVOCI investments. Deposits, amounts due to banks and customers and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

All financial assets and financial liabilities are recognized initially at fair value plus, in the case of financial assets and financial liabilities not at FVTPL, any directly attributable cost of acquisition or issue.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Bank recognizes the difference between the transaction price and the fair value (a 'Day 1'difference) in the statement of income. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

Classification of financial instruments
The Bank classifies its financial assets in the following categories: financial assets at FVTPL, financial assets at amortized cost, financial assets classified under FVOCI. The classification and measurement of financial instruments is driven by the financial asset's contractual cash flow characteristics and the Bank's business model for managing them. The Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flow. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Financial liabilities are categorized into financial liabilities at FVTPL and other financial liabilities carried at amortized cost. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Solely Payments of Principal and Interest (SPPI) test
The Bank assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test or SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, The Bank applies judgement and considers relevant factors such as the currency in which the financial assets is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risk or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Business model assessment
The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Bank's measurement categories are described below:

Financial assets at FVTPL
Debt instruments that do not meet the amortized cost or FVOCI criteria, or that meet the criteria, but the Bank has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss.

Investments in equity instruments are classified as at FVTPL, unless the Bank designates an equity instrument that is not held for trading as at FVOCI at initial recognition.

The Bank's financial assets at FVTPL include derivative instruments and government securities where the fair value option at initial recognition is applied.

Financial assets at FVTPL are carried at fair value, with net changes in fair value recognized as 'Net trading gains' in the statement of income. Interest earned on these investments is reported as 'Interest income' in the statement of income.

Derivative instruments
A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These includes interest rate swaps, foreign exchange swaps and forward foreign exchange contract. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The Bank's derivative assets and derivatives are presented as 'Financial assets at FVPL' and 'Financial liabilities at FVPL', respectively, in the statement of financial position.

Financial assets at FVOCI – Debt investments
The Bank applies this category when both the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

Subsequently, these are measured at fair value with gains or losses arising due to changes in fair value recognized in OCI under 'Net change in unrealized gains (losses) on financial assets at FVOCI'. Interest income and foreign exchange gains and losses are recognized in the statement of income in the same manner as for financial assets measured at amortized cost. When the Bank holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. On derecognition, cumulative gains or losses recognized in OCI are reclassified from OCI to the statement of income.

Financial assets at FVOCI - Equity investments
At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity instruments at FVOCI. Designation at FVOCI is not permitted if the investment in equity instrument is held for trading.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, these are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in OCI and accumulated in 'Net unrealized gains (losses) on financial assets at FVOCI' in the statement of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in 'Net change in unrealized gains (losses) on financial assets at FVOCI' is not reclassified to the statement of income, but is reclassified to 'Surplus'.

Dividends earned on these investments in equity instruments are recognized in the statement of income when the Bank's right to receive the dividends is established in accordance with PFRS 9, *Financial Instruments*, unless the dividends clearly represent recovery of a part of the cost of the investment. Dividends earned are recognized in the statement of income, under 'Miscellaneous income'.

Financial assets at amortized cost
This accounting policy relates to 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and securities purchased under resale agreements', 'Loans and receivables' and financial investments under 'Investment securities at amortized cost'.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Bank's business model of "Hold" and are managed to realize cash flows by collecting contractual payments over the life of the instrument.
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value. The amortization is included in 'Interest income' in the statement of income. Gains or losses are recognized in statement of income when these investments are derecognized or impaired, as well as through the amortization process. The ECL are recognized in the statement of income under provision for impairment and credit losses: The effects of revaluation or foreign currency-denominated investments are recognized in the statement of income. Gains or losses arising from disposals of these instruments are included in 'Gains (losses) on disposal of investment securities at amortized cost' in the statement of income.

The Bank may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

Reclassification of financial instruments
The Bank can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Bank is required to reclassify financial assets: (i) from amortized cost to FVPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; (ii) from FVPL to amortized cost or FVOCI, if the objective of the business model changes so that the amortized cost or FVOCI criteria start to be met and the characteristic of the instrument's contractual cash flows are SPPI; and, (iii) from amortized cost to FVOCI if the business model changes so that the objective becomes both to collect contractual cash flows and to sell or from FVOCI to amortized cost if the business model becomes solely for the collection of contractual cash flows.

Reclassification of financial assets designated as at FVTPL or equity financial assets at FVOCI at initial recognition is not permitted.

Financial liabilities
Financial liabilities are measured at amortized cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

Issued financial instruments or their components, which are not designated at FVPL, are classified under 'Deposit liabilities', 'Bills payable', 'Subordinated debt' and 'Accrued interest, taxes and other expenses', 'Manager's checks' and 'Other liabilities' or other appropriate financial liability accounts where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial assets to the holder, or to satisfy the obligation other than by the exchange of fixed amount of cash or another financial asset. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component at the date of issue.

Impairment of Financial Assets

The Bank recognizes allowance for expected credit losses for all debt financial assets except those measured at FVPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment.

Staging assessment

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Bank recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced SICR since initial recognition. The Bank recognizes lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments.

Refer to Note 4 for the discussion of the Bank's expected credit loss models.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Modification of financial assets
The Bank derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Bank considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered SPPI

The Bank also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Bank considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Bank recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Exchange or modification of financial liabilities
The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Bank recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Repurchase and reverse repurchase agreements
Securities sold under agreements to repurchase at a specified future date (‘repos’) are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as a loan to the Bank, reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell at a specified future date (‘reverse repos’) are not recognized in the statement of financial position. The Bank is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The corresponding cash paid, including accrued interest, is recognized in the statement of financial position as SPURA, and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the EIR amortization method.

<u>Write-off</u>
Financial assets are written off either partially or in their entirety when the Bank no longer expects collections or recoveries within a foreseeable future. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master-netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

The Bank assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Bank and all of the counterparties.

Financial Guarantees and Undrawn Loan Commitments
In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, letters of guarantees, and acceptances. Financial guarantees are initially recognized in the financial statements at fair value under 'Other liabilities'. Subsequent to initial recognition, the Bank's liabilities under such guarantees are each measured at the higher of the initial fair value less, when appropriate, cumulative amortization calculated to recognize the fee in the statement of income in 'Service charges, fees and commissions', over the term of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the statement of income in 'Provision for impairment and credit losses'. Any financial guarantee liability remaining is recognized in the statement of income in 'Service charges, fees and commissions', when the guarantee is discharged, cancelled or has expired.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, is not recorded in the statement of financial position.

These contracts are within the scope of the ECL requirements under PFRS 9 where the Bank estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and loan commitments without outstanding drawn amount is recognized in 'Allowance for credit losses on off-balance sheet exposures' under 'Other liabilities'.

Property and Equipment
Depreciable properties, including condominium units, furniture, fixtures and equipment and leasehold improvements, are stated at cost less accumulated depreciation and amortization, and any impairment in value. Such cost includes the cost of replacing part of the equipment if the recognition criteria are met, but excludes repairs and maintenance cost.

The initial cost of property and equipment consists of its purchase price, including taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation and amortization are computed using the straight-line method over the estimated useful life (EUL) of the assets.

The EUL of property and equipment are as follows:

Condominium units	50 years
Furniture, fixtures and equipment	5 to 7 years
Leasehold improvements	5 years or term of the lease, whichever is shorter

Construction in progress (CIP) represents furniture, fixtures and equipment and leasehold improvements under construction or purchased by the Bank but not yet used in operations. CIP is not depreciated until such time that the relevant assets become completed and ready for use in operations.

The EUL and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in the statement of income (see accounting policy on Impairment of Nonfinancial Assets).

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case the investment property acquired is measured at the fair value of the asset given up. Foreclosed properties are classified under 'Investment properties' upon:

a. entry of judgment in case of judicial foreclosure;
b. execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
c. notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

The difference between the fair value of the foreclosed properties and the carrying value of the related receivables given up is recognized in 'Gain or loss on foreclosures' account in the statement of income.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to profit or loss in the year in which the costs are incurred.

Subsequent to initial recognition, land is carried at cost less any impairment in value while depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over 5-10 years. The EUL and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Nonfinancial Assets).

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or development with a view to sale.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income under 'Gain or loss on sale of properties' in the year of retirement or disposal.

Chattel Properties Acquired
Chattel properties acquired include mortgage properties acquired in settlement of loan receivables. These are carried at cost, which is the fair value at recognition date, less accumulated depreciation and any impairment in value.

The Bank applies the cost model in accounting for other properties acquired. Depreciation is computed on a straight-line basis over the EUL of three years. The EUL and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of chattel properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Nonfinancial Assets).

Intangible Assets
The Bank's intangible assets included under 'Other assets' in the statement of financial position consist of software costs.

Software costs
Costs associated with developing or maintaining computer software programs are recognized as expense as incurred. Costs that are directly associated with identifiable and unique software controlled by the Bank and will generate economic benefits beyond one year, are capitalized. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognized as capital improvements and added to the original cost of the software. Capitalized computer software costs are amortized on a straight-line basis over four years.

Impairment of Nonfinancial Assets
Property and equipment, Right-of-use assets, Investment properties, Chattel properties acquired and Software costs
At each reporting date, the Bank assesses whether there is any indication that its property and equipment; right-of-use assets, investment properties, chattel properties acquired and software costs may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of recoverable amount. Recoverable amount is the greater of its fair value less costs to sell and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Income Taxes
Income tax on profit or loss for the year comprises current and deferred taxes. Income tax is determined in accordance with the Philippine Tax Laws. Income tax is recognized in the statement of income, except to the extent that it relates to items directly in OCI.

Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is provided using the balance sheet liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused MCIT over RCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized directly in OCI is also recognized in OCI and not in the statement of income.

Treasury Shares

Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the statement of income on the purchase and sale of the Bank’s own equity instruments.

Revenue Recognition

Revenue from contract with customers is recognized upon transfer of promised goods or services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Bank exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the five-step model to contracts with customers.

Within the scope of PFRS 15

Service, charges, fees and commissions

Fees or components of fees that are linked to a certain performance are recognized when services are rendered. These fees include corporate finance fees and remittance fees.

Bancassurance fees

Exclusive access fees related to the bancassurance agreement are recognized on a straight-line basis over the term of the provision of access.

Gain (loss) on sale of properties

Gains or losses arising from the disposal of property and equipment, investment properties and chattel properties acquired shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in profit or loss in the period of the disposal.

Other income

Credit-related income due to late payments and other loan-related fees are recognized in the period when service has been rendered.

Outside the scope of PFRS 15

Interest income

Interest on interest-bearing financial assets at FVPL are recognized based on contractual rate. Interest on financial instruments measured at amortized cost and debt instruments classified as FVOCI is recognized based on the EIR method.

The EIR method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Net trading gains

Net trading gain represents results arising from trading activities including all gains and losses from changes in fair value of financial assets and liabilities at FVPL and gains and losses from disposal of financial assets at FVPL, and debt financial assets at FVOCI.

Dividend income

Dividend income is recognized when the Bank's right to receive payment is established.

Expenses

Expenses are recognized when it is probable that decrease in future economic benefits related to decrease in an asset or increase in a liability has occurred and that the decrease in economic benefits can be measured reliably.

Interest expense

Interest expense for all interest-bearing financial liabilities is recognized in 'Interest expense' in the statements of income using the EIR of the financial liabilities to which they relate.

Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-Use Assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use) in the statement of financial position. Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

The EUL of right-of-assets arising from lease arrangements is equivalent to its lease term.

Lease liabilities
At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Bank applies the short-term lease recognition exemption to its short-term leases of ATM sites (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and some of its retail branches. It also applies the lease of low-value assets recognition exemption to leases of ATM sites that are considered to be of low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term. Refer accounting policy on right-of-use assets.

Retirement Cost
Defined benefit plan
The Bank has a funded, noncontributory defined benefit plan administered by a trustee. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The Bank's retirement cost is determined using the projected unit credit method. The retirement cost is generally funded through payments to a trustee-administered fund, determined by periodic actuarial calculations.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets (excluding net interest on defined benefit asset) and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in the OCI account 'Remeasurement gains (losses) on retirement plan' are not reclassified to another equity account in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Bank, nor can they be paid directly to the Bank. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Bank's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Defined contribution plan
The Bank also contributes to its contributory, defined-contribution type staff provident plan based on a fixed percentage of the employees' salaries as defined in the plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under 'Compensation and fringe benefits' in the statement of income. Unpaid contributions, if any, are recorded as a liability.

Employee leave entitlement
Employee entitlement to annual leave is recognized as a liability when the employees render the services that increases their annual leave entitlement. The cost of accumulating annual leave are measured as the additional amount that the Bank expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Provisions
Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract,

the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an 'Interest expense'.

Contingent Liabilities and Contingent Assets
Contingent liabilities are not recognized but are disclosed in the financial statements unless the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Events after the Reporting Date
Post year-end events that provide additional information about the Bank's position at the reporting date (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Fiduciary Activities
Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Bank acts in a fiduciary capacity such as nominee, trustee or agent.

Equity
Capital stock (preferred stock and common stock) is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Capital paid in excess of par value' account.

'Surplus' represents accumulated earnings of the Bank.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD. Dividends for the period that are approved after the reporting date are dealt with as an event after the reporting date.

Standards Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. The Bank intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Bank's financial statements.

Effective beginning on or after January 1, 2025
- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

Effective beginning on or after January 1, 2026
- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*
- Annual Improvements to PFRS – Volume 11
  - Amendments to PFRS 1, *First-Time Adoption of Philippine Financial Reporting Standards – Hedge Accounting by a First-Time Adopter*
  - Amendments to PFRS 7, *Gain or Loss on Derecognition*

- Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities* and *Transaction Price*
- Amendments to PFRS 10, *Consolidated Financial Statements – Determination of a 'De Facto Agent'*
- Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027
- PFRS 17, *Insurance Contracts*
- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries Without Public Accountability*

Deferred Effectivity
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS Accounting Standards requires the Bank to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

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.

Judgments

a) Contingencies
The Bank has suits and claims that remain unsettled. Management believes, based on the opinion of its legal counsel that the ultimate outcome of such cases and claims will not involve sums having a material effect on its financial statements. It is possible, however, that the future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

b) Fair value of financial assets
When the fair values of financial instruments recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

The carrying values and corresponding fair values of financial instruments as well as the manner in which fair values were determined are discussed in Note 5.

c) *Evaluation of business model 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 arising from customers' withdrawals and continuing loan disbursements to borrowers.

The business model criteria may be applied at the level of a portfolio of financial instruments (i.e. group of financial instruments that are managed together by the Bank) but not on an instrument-by-instrument basis (i.e. not based on intention for each individual financial instrument). This may include, for instance, a portfolio of investments that the Bank manages in order to collect contractual cash flows and another portfolio of investments that the Bank manages in order to trade to realize fair value changes. The Bank's business model is determined at portfolio level, which reflects how group of financial assets are managed together to achieve a particular business objective. Business model assessment is a matter of fact, rather than merely an assertion.

As of December 31, 2024 and 2023, the Bank's financial assets are classified as at FVTPL, FVOCI and amortized cost. There were no reclassifications made among the three categories during the year.

Estimates

a. *Credit losses on loans and receivables*
The measurement of credit losses requires significant judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of SICR. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include, among others:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used
- Criteria for assessing if there has been an SICR so allowances for debt financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- Segmentation of debt financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomics scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Bank's ECL models were internally developed and independently validated to compute for the potential credit loss of each loan account in adherence to PFRS 9 standards. Models were developed for each product line and mostly followed a "rated-approach" where each loan account were given internal risk grades based on their most recent financial condition for corporates or based on behavioral factors for retail such as repayment performance, delinquency history, etc. These risk grades are then translated to probability of defaults based on statistical models that utilized historical default experiences from the various internal risk grades.

Forward-looking adjustment (FLA) models were likewise developed statistically for each product line. These models attempt to establish a link between internal default experience and a combination of several macro-economic variables, resulting into additional ECL required on weak economic outlook and vice-versa. On the other hand, the determination of the economic outlook is determined by an economic research team and duly approved by management.

Lastly, the other significant variable used in ECL – the LGD – was likewise estimated based on internal loss experience and taking into consideration all direct/indirect costs involved in the loss recovery on the accounts.

Refer to Note 4 for detailed discussions regarding the above mentioned significant judgments and estimates in relation to ECL estimation.

The gross carrying amounts of loans and receivables subject to ECL and related ECL allowances for credit losses as of December 31, 2024 and 2023 are disclosed in Note 9.

b. *Recognition of deferred tax assets*
Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that taxable income will be available against which losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. Key assumptions used in forecast of future taxable income include loan portfolio and deposit growth rates.

As of December 31, 2024 and 2023, the Bank recognized deferred tax assets amounting to ₱1.0 billion and ₱1.1 billion, respectively (Note 25). Based on forecast, management assessed that it is probable that future taxable income will be available to utilize the deferred tax assets.

4. Financial Risk Management Objectives and Policies

General Risk Management Structure
Risk Management structure within the Bank consists of three lines of defense consisting of risk taking units, risk control units, and Internal Audit. The BOD, through the Risk Management Committee (RMC), performs overall supervision of risk management. Loan proposals and other transactions beyond the approval level of the management committees, particularly those involving directors, officers, stockholders and related interests (DOSRI), are elevated to the BOD, which is the highest authority within the Bank. The RMC is a Board-level Committee that is responsible for setting the Bank's corporate risk policy and strategies. It ensures the adequacy of the risk management infrastructure of the Bank to address the risks it faces in its banking activities including credit, market, operational, liquidity and other material risks.

Senior Management also plays an integral role in ensuring proper implementation of risk policies and strategies. The Bank has the following committees that manage the Bank's key risk areas:

- Credit Committee (CC) is responsible for the approval of credit facilities as well as policies, frameworks and methodologies pertaining to credit risk.

- Asset and Liability Management Committee (ALCO) is responsible for recommending strategies, policies and frameworks to identify, measure, control, monitor and manage market and liquidity risks, as well as balance sheet and capital management to the RMC/Board for approval.

- Management Committee is responsible for directing and reviewing the Bank's overall operations to achieve its objectives and targets.

Risk Management is functionally independent of risk-taking units within the Bank. It is composed of Regional Group Credit Management (RGCM), Credit Risk Management (CRM), Market Risk Management (MRM), Non-Financial Risk (NFR), Enterprise Risk Management (ERM), Credit Risk Review, Office of the Chief Information and Security Officer (OCISO) and Corporate Remedial, and Sustainability Management. It is responsible for the development of measures to ensure that the risk inherent in the Bank's activities are properly identified, measured, controlled and reported.
Risk Management has the following general objectives:

- To promote risk management culture and philosophy of risk awareness
- To assist risk-taking business and operating units in understanding and measuring risk/return profiles
- To develop risk and control infrastructure
- To develop, disseminate, and maintain formalized risk policies, frameworks, methodologies and tools
- To provide effective means of differentiating the degree of risk in the various business portfolios of the Bank

Internal Audit provides independent assurance of the effectiveness of the risk management approach. The Audit Committee, which is a Board-level committee, is responsible for the overall supervision of the audit function within the organization.

Risk Measurement and Reporting
To measure risk of default for corporate and commercial loans, the Bank makes use of the International Risk Rating System (IRRS) which consists of 25 risk grades that are mapped to external ratings, as well as risk classification according to BSP guidelines. The IRRS is used as a tool for decision making as well as in determining appropriate pricing for loan accounts. The key risk indicators measure the Bank's credit risk position against targets, historical performance or industry average in selected areas as of a given period.

In terms of measuring the Bank's ability to withstand the impact of stress conditions, stress testing methodology is used. Through stress testing, the impact of exceptional events on the Bank's asset quality, profitability and capital adequacy is measured.

In terms of reporting, the Bank prepares regular loan portfolio reports covering areas such as business growth, asset quality, concentration of exposures and compliance to applicable regulatory and internal guidelines. These reports are submitted to the CC, RMC, BOD and other end-users.

Risk Mitigation
As part of its risk management, the Bank uses derivatives and other treasury products to manage exposures resulting from changes in interest rates and fluctuations in foreign exchange levels.

Where appropriate, the Bank requires a second way out in the form of eligible collaterals or guarantee/surety to mitigate credit risk.

Credit Risk
Credit risk comprises bulk of the Bank's risk capital. Credit risk is managed through a two-pronged approach: the credit risk management and credit portfolio management.

CRM undertakes the improvement and implementation of Group risk frameworks, tools, and methodologies for the identification, measurement, monitoring, control and pricing of credit risk in accordance to the Bank's risk appetite and lending direction and strategies. Methodologies are implemented in coordination with the Parent Company to ensure consistency of risk management approach across the Maybank Group. Where applicable, methodologies and tools are adopted from the Parent Company and customized to the local operating environment.

CRM is responsible for setting concentration limits and monitoring exposures against these limits.

Part of the Bank's Credit Risk Management processes are to develop and implement various mechanisms to support business generation, capital optimization, portfolio management, and Basel III implementation. It ensures that credit approval structures follow the "four eyes policy" for appropriate check and balance. The Credit Risk Review Unit undertakes the post-approval review of selected loan accounts.

Collateral and other credit enhancements
There are various collaterals and securities that are acceptable to the Bank. In evaluating acceptability of collateral, three factors are considered: control, disposability and margin.

The Account Officer is primarily responsible in ensuring the acceptability of collaterals/security obtained to secure the loan based on established minimum acceptance criteria and maximum margin of financing.

The Account Officer is responsible in ensuring that the collaterals are duly and regularly inspected and appraised, adequately insured where necessary, and payment of applicable taxes are updated.

The Account Officer also ensures that the approved margin of financing is maintained throughout the life of the loan.

Loans or portions thereof that are covered by collateral/security including but not limited to the following are considered secured:

- Registered First Real Estate Mortgage over eligible real estate properties with road right of way
- Peso or US Dollar-denominated deposits that are maintained with the Bank
- Government securities
- Motor vehicles
- Machinery and equipment
- Publicly-traded shares of stocks

Direct and indirect borrowings of the Philippine government is treated as non-risk and considered as secured.

Borrowings secured by guarantees/collateral issued by the Parent Company and Maybank branches and subsidiaries are considered secured.

The Bank now undertakes the maintenance, marketing and disposal of its acquired assets which is previously managed by its affiliate, Philmay Properties, Inc. (PPI). Pending disposal of acquired assets, the Bank arranges for the properties to be leased on a short-term basis by interested parties.

Credit risk exposures

The table below shows the Bank's maximum exposure to credit risk on loans and receivable as of December 31, 2024 and 2023:

	December 31, 2024			
	Maximum Exposure			
	Carrying amount	**Fair value of collateral**	**Financial effect of collateral**	**Net exposure**
SPURA	**₱–**	**₱–**	**₱–**	**₱–**
Loans and receivables				
Loans				
Corporate	**5,405,423,703**	**155,172,662**	**100,125,792**	**5,305,297,911**
Commercial	**4,528,531,943**	**8,903,280,136**	**3,845,086,646**	**683,445,297**
Consumer				
Auto loans	**31,649,170,197**	**53,264,090,232**	**27,980,085,220**	**3,669,084,977**
Housing loans	**17,556,060,053**	**28,300,020,436**	**17,182,111,806**	**373,948,247**
Others	**1,418,370,289**	**522,812,118**	**477,879,736**	**940,490,553**
	60,557,556,185	**91,145,375,584**	**49,585,289,200**	**10,972,266,985**
Accounts receivable				
Corporate	**1,107,925,178**	**–**	**–**	**1,107,925,178**
Individual	**1,344,904**	**–**	**–**	**1,344,904**
	1,109,270,082	**–**	**–**	**1,109,270,082**
Sales contract receivable				
Corporate	**268,034,760**	**537,140,000**	**268,034,760**	**–**
Individual	**26,718,134**	**88,376,069**	**26,718,134**	**–**
	294,752,894.00	**625,516,069**	**294,752,894**	**–**
RCOCI	**114,664**	**–**	**–**	**114,664**
	₱61,961,693,825	**₱91,770,891,653**	**₱49,880,042,094**	**₱12,081,651,731**

	December 31, 2023			
	Maximum Exposure			
	Carrying amount	Fair value of collateral	Financial effect of collateral	Net exposure
SPURA	₱10,983,713,212	₱10,983,713,212	₱10,983,713,212	₱–
Loans and receivables				
Loans				
Corporate	8,414,495,978	85,264,087	251,148,306	8,163,347,672
Commercial	3,985,496,139	8,396,135,444	3,848,533,614	136,962,525
Consumer				
Auto loans	23,967,527,092	44,992,333,814	23,617,825,488	349,701,604
Housing loans	15,661,768,421	25,935,430,411	15,444,008,735	217,759,686
Others	894,773,958	21,755,518	13,234,657	881,539,301
	52,924,061,588	79,430,919,274	43,174,750,800	9,749,310,788
Accounts receivable				
Corporate	1,864,993,144	–	–	1,864,993,144
Individual	6,539,203	–	–	6,539,203
	1,871,532,347	–	–	1,871,532,347
Sales contract receivable				
Corporate	270,849,524	530,000,000	270,849,524	–
Individual	35,514,132	71,061,477	35,514,132	–
	306,363,656	601,061,477	306,363,656	–
RCOCI	114,925	–	–	114,925
	₱66,085,785,728	₱91,015,693,963	₱54,464,827,668	₱11,620,958,060

For the other financial assets, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2024 and 2023.

Credit risk management has set concentration limits according to various categories such as individual/group borrower, banks, countries, collateral, economic sectors, and product types to ensure optimal portfolio diversification.

Risk Concentration

Concentration of credit arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location. Concentration limits are set by CRM, endorsed by RMC, and approved by the BOD. These include limits by business segments, credit facility/portfolio, collateral/security, economic sector, loan size and obligor type. These limits are established to ensure diversification, capital optimization and appropriate management of concentration risk.

The tables below show the distribution of maximum credit exposure by industry sector of financial assets and off-balance sheet items before taking into account the fair value of the loan collateral or other credit enhancements (amounts in thousands):

	December 31, 2024		December 31, 2023	
	Gross Amount	**%**	Gross Amount	%
Loans and receivables				
Wholesale and retail, repair of motor vehicles, motorcycles and personal household goods	**₱15,128,131**	**24.39**	₱6,289,096	11.38
Transportation, storage and communication	**9,416,178**	**15.18**	3,816,780	6.91
Financial intermediaries	**2,314,610**	**3.73**	2,740,869	4.96
Construction and real estate	**5,839,724**	**9.42**	17,651,495	31.94
Power, electricity and water distribution	**2,842,097**	**4.58**	2,797,014	5.06
Trading and manufacturing	**2,515,731**	**4.06**	1,412,846	2.56
Government	**9,321,937**	**15.03**	2,738,249	4.96
Agriculture	**1,571,574**	**2.53**	1,315,944	2.38
Others	**13,075,209**	**21.08**	16,498,224	29.86
	62,025,191	**100.00**	55,260,517	100.00
Loans and advances to banks*				
Financial intermediaries	**3,038,077**	**27.31**	694,918	3.20
Government	**8,084,429**	**72.69**	21,027,054	96.80
	11,122,506	**100.00**	21,721,972	100.00
Trading and financial investment securities**				
Financial intermediaries	**56,257**	**0.18**	400,000	1.44
Construction and real estate	**1,082,170**	**3.40**	1,054,909	3.79
Government	**29,794,544**	**93.71**	26,368,777	94.77
Activities of holding companies	**862,634**	**2.71**	–	–
Others	–	–	–	–
	31,795,605	**100.00**	27,823,686	100.00
Others***				
Wholesale and retail, repair of motor vehicles, motorcycles and personal household goods	**1,297,871**	**35.90**	1,398,315	22.96
Financial intermediaries	**9,360**	**0.26**	–	–
Construction and real estate	**326,482**	**9.03**	231,220	3.80
Real estate	**613,945**	**16.98**	464,846	7.63
Power, electricity and water distribution	–	–	18,410	0.30
Trading and manufacturing	**558,305**	**15.44**	769,135	12.63
Agriculture	**2,967**	**0.08**	793,020	13.02
Others	**806,584**	**22.31**	2,414,813	39.66
	3,615,514	**100.00**	6,089,759	100.00
	₱108,558,816		₱110,895,934	

* *Consists of Due from BSP, Due from other banks and Interbank loans receivables and SPURA*

** *Consists of Financial assets at FVPL, Financial assets at FVOCI and Investment securities at amortized cost and excludes equity securities*

*** *Consists of Miscellaneous COCI and Contingent liabilities relating to outstanding letters of credit*

Credit quality per class of financial assets

For investment securities and depository accounts, the Bank relies on acceptable third-party issuer or issue ratings, international or local, as applicable. Any exposure, whether direct or indirect, to the sovereign entity – Republic of the Philippines (ROP) and BSP, is considered non-risk or high grade. Issuances by ROP and BSP are considered as high grade since the chance of default is virtually nil.

Private entities, such as financial institutions or corporations, issuing debt securities, with risk rating similar to ROP/BSP are likewise classified as high grade. Such entities are generally held as top-tier. Companies with third party ratings lower than ROP are classified as standard grade. These are companies that exhibit moderate credit risk with acceptable capacity to meet its financial commitments.

Companies without third party ratings are classified as unrated or adopt the Bank's internal risk rating.

For loans and receivables, the following are subject to risk rating and behavioral scoring:

- Corporate and commercial loans (except those fully secured by hold-out on deposits)
- Contract-to-sell financing (risk rating on the developer)
- Consumer loans (except truck and salary loans)

Accounts which are not subjected to risk rating, such as consumer loans (i.e. salary loans, truck loans) are considered unrated.

Loan Grades

- Performing Grade is from Grade 1 to 22 – Grade 1 (i.e. lowest probability of default) is the best grade while Grade 22 (i.e. highest probability of default) is the worst grade.

  a.) High grade (accounts with risk grade of 1 to 10)
  Accounts falling within this classification have good to highly exceptional capacity to meet its financial commitments with very low to low credit risk.

  b.) Standard grade (accounts with risk grade of 11 to 15)
  Accounts falling within this classification have fairly good to fairly acceptable capacity to meet their financial commitments with moderate credit risk.

  c.) Substandard grade (accounts with risk grade of 16 to 22)
  Accounts under this category exhibit high credit or default risk with impairment characteristics that are neither classified under 'past due but not impaired' nor 'individually impaired'.

  Start-up companies, regardless of the strength of their percentage have default grade cap of 19.

- Non-Performing Grade is from Grade 23 to 25 which is under past due or impaired.

  a.) Grade 23 is a non-performing grade assigned to borrowers classified as Substandard accounts. These are loans and other credit accommodations that 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. Basic characteristics include the following:

    - Weak financial condition and results of operation that leads to the borrower's inability to generate sufficient cash flow for debt servicing, except for start-up firms which shall be evaluated on a case-to-case basis;
    - Past due secured loans and other credit accommodations where properties offered as collateral have been found with defects as to ownership or with other adverse information.

- Breach of any key financial covenants/agreements that will adversely affect the capacity to pay-off the borrower; or
- Classified "Especially Mentioned" as of the last credit review without adequate corrective action
- Loans past due for more than 90 days.

b.) Grade 24 is a non-performing grade assigned to borrowers classified as Doubtful accounts. These are loans and credit accommodations that exhibit 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, however the exact amount remains undeterminable as yet. Classification as "Loss" is deferred because of specific pending factors which may strengthen the assets.

c.) Grade 25 is a non-performing grade assigned to borrowers classified as Loss. These are loans or portions thereof which are considered uncollectible or worthless.

The credit quality of the Bank's receivables from customers as of December 31, 2024 follow (in thousands):

	Stage 1	Stage 2	Stage 3	Total
Auto				
Unrated	**₱29,060,154**	**₱1,963,640**	**₱849,235**	**₱31,873,029**
Standard grade	**339,750**	**–**	**–**	**339,750**
Auto Total	**29,399,904**	**1,963,640**	**849,235**	**32,212,779**
Commercial				
Unrated	**3,766,242**	**112,772**	**138,788**	**4,017,802**
Standard grade	**496,111**	**–**	**–**	**496,111**
Non-performing grade	**–**	**–**	**98,708**	**98,708**
Commercial Total	**4,262,353**	**112,772**	**237,496**	**4,612,621**
Corporate				
Unrated	**66,611**	**1,125**	**316**	**68,052**
High grade	**1,420,855**	**–**	**–**	**1,420,855**
Standard grade	**3,653,053**	**–**	**–**	**3,653,053**
Substandard grade	**–**	**304,574**	**–**	**304,574**
Non-performing grade	**–**	**–**	**1,265,115**	**1,265,115**
Corporate Total	**5,140,519**	**305,699**	**1,265,431**	**6,711,649**
Housing				
Unrated	**16,769,885**	**310,914**	**253,408**	**17,334,207**
Non-performing grade	**–**	**–**	**350,871**	**350,871**
Housing Total	**16,769,885**	**310,914**	**604,279**	**17,685,078**
Other				
Unrated	**1,470,423**	**19,524**	**22,041**	**1,511,988**
Other Total	**1,470,423**	**19,524**	**22,041**	**1,511,988**
Grand Total	**₱57,043,084**	**₱2,712,549**	**₱2,978,482**	**₱62,734,115**

The credit quality of the Bank's financial assets other than receivables from customers as of December 31, 2024 follows (in thousands):

	Stage 1	Stage 2	Stage 3	Total
Due from BSP				
High Grade	**₱8,084,429**	**₱–**	**₱–**	**₱8,084,429**
Due from other banks				
High Grade	**₱508,237**	**₱–**	**₱–**	**₱508,237**
Interbank loans receivable and SPURA				
High Grade	**₱2,529,840**	**₱–**	**₱–**	**₱2,529,840**
Financial instruments at FVOCI				
High Grade	**₱14,322,876**	**₱–**	**₱–**	**₱14,322,876**
Investment Securities at amortized cost				
High Grade	**₱14,137,000**	**₱–**	**₱–**	**₱14,137,000**
Other financial assets				
Unrated	**₱1,346,899,336**	**₱–**	**₱–**	**₱1,346,899,336**

The credit quality of the Bank's receivables from customers as of December 31, 2023 follow (in thousands):

	Stage 1	Stage 2	Stage 3	Total
Auto				
Unrated	₱2,193,950	₱128,934	₱160,102	₱2,482,986
High grade	19,970,853	1,236,857	644,015	21,851,725
Standard grade	62,700	4,619	2,206	69,525
Substandard grade	16,222	881	1,680	18,783
Non-performing grade	50,303	946	240	51,489
Auto Total	22,294,028	1,372,237	808,243	24,474,508
Commercial				
Unrated	3,688,379	43,672	479,091	4,211,142
High grade	–	–	64,840	64,840
Commercial Total	3,688,379	43,672	543,931	4,275,982
Corporate				
Unrated	2,317,228	–	91,432	2,408,660
High grade	5,731,134	438,103	1,078,737	7,247,974
Corporate Total	8,048,362	438,103	1,170,169	9,656,634
Housing				
Unrated	4,923,870	232,479	93,343	5,249,692
High grade	9,629,248	504,402	145,691	10,279,341
Standard grade	115,110	4,358	–	119,468
Substandard grade	15,995	–	–	15,995
Non-performing grade	56,873	–	–	56,873
Housing Total	14,741,096	741,239	239,034	15,721,369
Other				
Unrated	953,020	26,311	18,056	997,387
Other Total	953,020	26,311	18,056	997,387
Grand Total	₱49,724,885	₱2,621,562	₱2,779,433	₱55,125,880

The credit quality of the Bank's financial assets other than loans and receivables from customers as of December 31, 2023 follow (in thousands):

	Stage 1	Stage 2	Stage 3	Total
Due from BSP				
High Grade	₱10,043,341	₱–	₱–	₱10,043,341
Due from other banks				
High Grade	₱487,281	₱–	₱–	₱487,281
Interbank loans receivable and SPURA				
High Grade	₱11,191,351	₱–	₱–	₱11,191,351
Financial instruments at FVOCI				
High Grade	₱13,412,316	₱–	₱–	₱13,412,316
Investment Securities at amortized cost				
High Grade	₱11,196,652	₱–	₱–	₱11,196,652
Other financial assets				
Unrated	₱2,178,010,928	₱–	₱–	₱2,178,010,928

As of December 31, 2024 and 2023, allowance on individually impaired receivables of the Bank amounted to ₱1.4 billion and ₱1.2 billion respectively.

Impairment assessment
The Bank uses a provision matrix to calculate ECL for receivables from retail customers. The provision matrix is initially based on the Bank's historical observed default rates. The Bank calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the financial sector, the historical default rates will be adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Market Risk
The Bank recognizes market risk as the adverse impact on earnings or capital, either immediate or over time, arising from changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates, commodity prices and equity prices. Market risk arises through the Bank's trading and balance sheet activities. The primary categories of market risk for the Bank are:

i. Interest rate risk: arising from changes in prevailing interest rates and implied volatilities on interest rate options; and
ii. Foreign exchange (FX) rate risk: arising from changes in exchange rates or risk arising from adverse movements/mismatches in currencies.

The RMC is the overall risk oversight body. Management of market, interest rate risk in the banking book and liquidity risks is delegated to the ALCO. ALCO is responsible for the establishment of appropriate risk policies and limits, duly approved by the RMC; and execution of both strategic and tactical actions to maintain the exposure within the set tolerances and meet the risk and reward objectives of the Bank.

The Bank established the MRM to assist the BOD, RMC, ALCO in monitoring and managing the Bank's market risk exposures independently from the risk taking units. MRM also acts as business partners with Global Markets in the daily monitoring of its positions against approved risk measures. MRM's roles include the following:

- Ensure that the market, IRRBB and liquidity risk management objectives of the Bank are achieved through the development, implementation, maintenance and enhancement of a comprehensive risk management process that comprises of qualitative and quantitative methodologies to identify, measure, control and monitor, among others, the following:
  - Market risks, which covers the risk of loss of earnings arising from changes in interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities
  - IRRBB, which covers the risk of loss in earnings or in economic value on banking book exposures arising from movements in the interest rates
  - Liquidity risks, which covers liquidity crisis, funding structure, fund raising policies and strategies, diversification of funding sources, gap analysis and management
- Provide support functions to the ALCO to facilitate informed strategic management decision making
- Provide consultative services and support functions to all relevant units within the Bank on matters pertaining to market and liquidity risks management and treasury operations
- Participate, in collaboration with other risk management units within the Bank on cross border risk management issues, to identify and mitigate various risks inherent in new Global Markets and core banking products prior to product introduction
- Provide revaluation prices of relevant Global Markets products transacted by various business units within the Bank
- Perform regular independent supervision of Global Markets operations

A Market and Liquidity Risk Management (MLRM) Framework is in place to institutionalize vigilance and awareness of market and liquidity risk. MLRM provides the foundation for the optimization of risk returns, consistent management of market and liquidity risk and governance and risk oversight. All market risk policies being issued are reviewed at least annually to ensure compliance with regulatory requirements and up to par with international best practices.

The Bank's traded market risk exposures are primarily from proprietary trading, client servicing and market making. Various risk measurement techniques are used by the Bank to monitor and manage market risk and IRRBB, such as Price-Value-of-a-Basis-Point (PV01), FX net open position (NOP), Value-at-Risk (VaR), Stop Loss, Earnings-at-Risk (EaR) and Impact on Economic Value (IEV). In addition, a variety of stress testing techniques are performed to complement the reporting to Management.

Interest rate risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows. Interest rate risk exposure is identified, measured, monitored and controlled through thresholds and procedures set by the Management to protect total net interest income from changes in market interest rates.

Trading: PV01

PV01 measures the change in the value of the portfolio with 1 basis point increase in the yield curve and is applicable for the trading portfolio. Thresholds are set annually to re-assess the Bank's risk appetite and strategy. The PV01 is computed and reported daily to Global Markets and monthly to ALCO.

Shown in the table below is the Interest Rate Sensitivities (PV01) Report - By Portfolio as at December 31, 2024 and 2023 (amounts expressed in thousands).

	Rates Trading		Interest Rate Derivatives	
Desk	**2024**	2023	**2024**	2023
PHP	**(₱9.91)**	(₱189.36)	**₱16.10**	₱25.84
USD	**0.02**	–	**15.39**	(10.82)
Net	**(₱9.89)**	(₱189.36)	**₱31.49**	₱15.02

Non-Trading: PV01
PV01 measures the change in the value of the portfolio with 1 basis point increase in the yield curve and is applicable to the FVOCI portfolio.

Shown in the table below is the Interest Rate Sensitivities (PV01) Report of GM's Rates Banking Book Investments as at December 31, 2024 and 2023 (amounts expressed in thousands).

	Rates Banking	
Desk	**2024**	2023
PHP	**(₱3,395)**	(₱3,368)
USD	**(1,352)**	(804)
Net	**(₱4,747)**	(₱4,172)

Interest Rate Risk in Banking Book: EaR and IEV
IRRBB is defined as a Pillar 2 risk under the BSP Risk-Weighted Capital Adequacy Framework (Basel II) – Internal Capital Adequacy Assessment Process (Pillar 2) guidelines. IRRBB is one of the Pillar 2 risks that is quantifiable and reliably measured and quantified, with acceptable risk identification and measurement methodologies that have been reasonably tested and accepted within the industry.

The Bank emphasizes the importance of managing interest rate risk in the banking book as most of the balance sheet items of the Bank generate interest income and interest expense, which are indexed to interest rates. Volatility of earnings can pose a threat to the Bank's profitability while economic value provides a more comprehensive view of the potential long-term effects on the Bank's overall capital adequacy.

All policies, procedures and limits related to IRRBB are presented and deliberated in ALCO prior endorsement to RMC for final resolution. Balance sheet management is the prime responsibility of ALCO and key strategies on how to optimize assets and liabilities are discussed every meeting.

As a measurement tool, the Bank utilizes EaR to estimate the sensitivity of the Bank's Net Interest Income (NII) due to a 100 basis points (bps) change in the underlying interest rates over a period of one year.

Economic Value of Equity ("EVE"), on the other hand, measures the sensitivity of economic value of all Non Trading Book assets, liabilities and interest rate related off-balance sheet products to interest rate movements over a longer horizon. Sensitivity of EVE seeks to evaluate the change in EVE due to changes in interest rate under an interest rate stress or shock scenario (based on 100 bps change in the market yield curve as well as the maximum of the worst impact on EVE across 6 standardized interest rate shock scenarios).

EaR and EVE are calculated based on the repricing gaps, or the difference between the amounts of rate sensitive assets and the amounts of rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. Accordingly, during a period of rising interest rates, a bank with a positive gap would be in a position to invest in higher yielding assets earlier than it would need to refinance its interest rate sensitive liabilities. During a period of falling interest rates, a bank with a positive gap would tend to see its interest rate sensitive assets repricing earlier than its interest rate sensitive liabilities, which may restrain the growth of its net income or result in a decline in net interest income. To reflect sensitivity of certain assets and liabilities, analysis of balances and its movement is done via application of behavioral assumptions to repricing cash flow.

The Bank monitors the exposure of financial assets and financial liabilities to fluctuations in interest rates by measuring the impact of interest rate movements on its interest income. This is done by modeling the impact of various changes in interest rates to the Bank's interest-related income and expenses. The EaR and EVE is computed and reported monthly to ALCO and bi-monthly to RMC. Additionally, the Bank uses sensitivity analysis for stress testing of IRRBB. Parallel shock of 300 and 400 basis points are simulated and reported for perspective.

The Bank employed additional tools to aid in the management of IRRBB via the Risk Confidence ("RCO") system. There are 7 scenarios for EVE which includes 1 baseline scenario and 6 shock scenarios, and 3 scenarios for NII which includes 1 baseline scenario and 2 shock scenarios. The simulation considers assumptions on loan prepayment, deposits early redemption and CASA deposit behavior.

The following tables provide additional information on the statistical impact on net income and equity as of December 31, 2024 and 2023 (amounts in thousands):

	December 31, 2024			
Currency	**PHP**		**US$**	
Changes in interest rates (in basis points)	**+100**	**-100**	**+100**	**-100**
Change in net income	**(₱54,793)**	**₱54,793**	**(₱132,053)**	**₱132,053**
Change in equity	**(253,356)**	**253,356**	**(47,584)**	**47,584**

	December 31, 2023			
Currency	PHP		US$	
Changes in interest rates (in basis points)	+100	-100	+100	-100
Change in net income	(₱114,107)	₱114,107	(₱120,248)	₱120,248
Change in equity	(346,109)	346,109	(50,757)	50,757

The impact on the Bank's equity represents impact on OCI and excludes the impact on transactions affecting the statements of income.

The sensitivity in the statements of income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at the reporting date. The sensitivity of equity is calculated by revaluing fixed-rate FVOCI investments at reporting date for the effects of the assumed changes in interest rates. The impact on the equity as stated above already excludes the impact on transactions affecting the statements of income.

Foreign exchange rate risk
Foreign exchange (FX) rate risk is the risk that the Bank may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position in a currency. Where the value of asset/inflow exposures in one currency is not equal to the value of liability/outflow exposures in that currency, it is described as an open position. It may be short (liabilities exceed assets) or long (assets exceed liabilities).

The Bank controls its FX exposures by transacting in permissible currencies. Management of FX risk is done via monitoring of FX NOP and PV01 for those FX positions in the trading book. If the level reaches the trigger point, action is required to bring back the level to within the normal range. FX risk is reviewed together with other risks to determine the Bank's overall risk profile.

Foreign currency-denominated liabilities generally consist of: (a) foreign currency-denominated deposits in the Bank's FCDU, (b) accounts maintained in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, and (c) foreign currency-denominated borrowings appearing in the regular books of the Bank.

Foreign currency-denominated deposits are generally used to fund the Bank's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency-denominated liabilities with the foreign currency-denominated assets held under the FCDU books.

The Bank has significant exposure to US$ monetary assets and liabilities as of December 31, 2024 and 2023.

The tables below summarize the reasonable possible movement of the currency rate against each significant foreign currency with all other variables held constant on the statements of income (US$ against PHP) (amounts in thousands).

Bankwide FX Position

	December 31, 2024	
Changes in foreign currency exchange rate	**+5.0%**	**-5.0%**
Effect on profit before tax (in thousands)	**(₱168)**	**₱168**

	December 31, 2023	
Changes in foreign currency exchange rate	+5.0%	-5.0%
Effect on profit before tax (in thousands)	(₱5,127)	₱5,127

Trading FX USD Position

	December 31, 2024		December 31, 2023	
	Spot	**Forwards**	Spot	Forwards
PV01	**30**	**(6)**	2	120

<u>Liquidity Risk</u>
Liquidity risk management overview
Liquidity risk is the risk that the Bank's financial condition or overall safety and soundness is adversely affected by an inability (or perceived inability) to meet its obligations and may result in the Bank incurring unacceptable losses. The Bank's obligations and the funding sources used to meet

them, depend significantly on its business mix, its balance sheet structure and the cash flow profile of its on- and off-balance sheet obligations.

The Non-Trading Book Policy, which includes policies on liquidity risk management, is reviewed regularly and tabled to ALCO and RMC. The Bank's liquidity risk position is actively discussed and managed at the ALCO and RMC in line with the approved guidelines and policies.

The Bank, in line with the Group, has implemented leading practices as a foundation to manage and measure its liquidity risk exposure. The Bank uses a range of tools to monitor and control liquidity risk exposure such as liquidity gap, early warning signals/liquidity indicators and stress testing. The liquidity positions of the Bank are monitored regularly against the established policies, procedures and thresholds.

Management of liquidity risk
For day to day liquidity management, Global Markets will ensure sufficient funding to meet the Bank's intraday payment and settlement obligations on a timely basis. In addition, the process of managing liquidity risk includes:

- Maintaining an adequate portfolio that can easily be liquidated as protection against any unforeseen interruption in cashflows;
- Maintaining a stable funding to support illiquid assets and business activities;
- Daily and monthly monitoring of liquidity ratios against internal and regulatory requirements;
- Monthly monitoring of gaps arising from mismatched maturity of assets and liabilities;
- Monthly monitoring and managing of concentration ratios of deposits;
- Conducting monthly liquidity stress testing under various scenarios as part of prudent liquidity control;
- Maintaining a robust contingency funding plan that includes strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios; and
- Conducting Contingency Funding Plan (CFP) testing to examine the effectiveness and robustness of the plans.

Liquidity coverage ratio and Net stable funding ratio
The Bank monitors its LCR and NSFR on a daily basis; joint management and monitoring are carried out by Global Markets and Group Finance. As of December 31, 2024 and 2023, bank-wide LCR levels as reported to the BSP stood at 120.03% and 132.76% respectively and the bank-wide NSFR levels as reported to the BSP stood at 111.38% and 126.81 %, respectively.

Stress testing and Contingency Funding Plan
The Bank uses stress testing and scenario analysis to evaluate the impact of sudden stress events on liquidity position. Scenarios are based on hypothetical events that include bank specific crisis and general market crisis scenarios. The stress test result provides an insight of the Bank's funding requirements during different levels of stress environments and is closely linked to the Bank's CFP, which provides a systemic approach in handling any unexpected liquidity disruptions. The plan encompasses strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios.

The Bank also conducts CFP tests to ensure the effectiveness and operational feasibility of the CFP. The key aspects of the testing are to focus on the preparedness of key senior management and their respective alternate in handling a simulated distress funding situation. It also provides exposure and develops capabilities on how to respond to a liquidity crisis situation and operate effectively with each other under challenging circumstances.

Analysis of financial assets and financial liabilities by remaining contractual maturities
The tables below show the maturity profile of the Bank's financial assets and financial liabilities based on contractual undiscounted cash flows (amount in thousands).

	December 31, 2024					
	Up to 1 Month	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Beyond 1 year**	**Total**
Financial Assets						
Cash and other cash items	**₱1,956,186**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,956,186**
Due from BSP	**8,084,429**	–	–	–	–	**8,084,429**
Due from other banks	**508,237**	–	–	–	–	**508,237**
Interbank loans receivable and SPURA	**3,260,683**	–	–	–	–	**3,260,683**
Financial assets at FVPL:						
Government securities	**1,446,946**	**1,001,036**	**56,278**	–	–	**2,504,260**
Derivative assets	**1,533**	**3,456**	–	–	**12,557**	**17,546**
Financial assets at FVOCI:						
Debt instruments						
Government	**6,120,985**	**179,691**	**118,088**	**5,059,610**	**3,443,173**	**14,921,547**
Private	**703**	–	–	**356,971**	**511,991**	**869,665**
Equity						
Quoted	–	–	–	–	**8,761**	**8,761**
Unquoted	–	–	–	–	**23,432**	**23,432**
Financial assets at amortized cost:						
Government	**2,123,412**	**2,563,057**	**185,409**	**512,633**	**9,532,142**	**14,916,653**
Private	**1,660**	**2,344**	**104,636**	**60,699**	**22,243**	**191,582**
Loans and receivables:						
Receivables from:						
Corporate	**2,445,880**	**491,699**	**730,801**	**849,451**	**3,132,968**	**7,650,799**
Commercial	**1,892,073**	**1,477,161**	**585,123**	**275,830**	**1,580,680**	**5,810,867**
Consumer:						
Auto loans	**559,056**	**1,519,042**	**1,430,795**	**3,160,775**	**39,518,508**	**46,188,176**
Housing loans	**1,395**	**356,061**	**354,901**	**734,419**	**34,425,459**	**35,872,235**
Others	**848,299**	**14,014**	**17,581**	**53,036**	**250,902**	**1,183,832**
	29,251,477	**7,607,561**	**3,583,612**	**11,063,424**	**92,462,816**	**143,968,890**
Sales contract receivable:						
Corporate	**260,000**	–	–	–	**7,982**	**267,982**
Individual	**1,161**	–	**58**	**1,416**	**23,977**	**26,612**
	261,161	–	**58**	**1,416**	**31,959**	**294,594**
Accounts receivable:						
Corporate	**206,854**	**10,614**	**2,151**	**129,350**	**311,781**	**660,750**
Individual	**427,911**	**323**	**1,186**	**956**	**18,144**	**448,520**
	634,765	**10,937**	**3,337**	**130,306**	**329,925**	**1,109,270**
RCOCI	**115**	–	–	–	–	**115**
	₱30,147,518	**₱7,618,498**	**₱3,587,007**	**₱11,195,146**	**₱92,824,700**	**₱145,372,869**
Financial Liabilities						
Deposit liabilities:						
Demand	**₱24,544,060**	**₱–**	**₱–**	**₱–**	**₱–**	**₱24,544,060**
Savings	**19,449,765**	**200,068**	**57,295**	**1,738**	–	**19,708,866**
Time	**23,788,510**	**8,125,723**	**858,657**	**258,369**	**216,157**	**33,247,416**
	67,782,335	**8,325,791**	**915,952**	**260,107**	**216,157**	**77,500,342**
Derivative liabilities						
Forward contracts	**163,409**	–	–	–	–	**163,409**
Bills payable	**14,820,660**	–	–	–	–	**14,820,660**
Manager's checks	**709,260**	–	–	–	–	**709,260**
Accounts payable	**3,377,110**	**536,596**	**126,640**	**99,340**	**331,705**	**4,471,391**
Due to Treasurer of the Philippines	–	–	–	–	**37,843**	**37,843**
	19,070,439	**536,596**	**126,640**	**99,340**	**369,548**	**20,202,563**
Contingent liabilities	**64,616,430**	**7,334,213**	**58,001**	**231,015**	**1,434,624**	**73,674,283**
	₱151,469,204	**₱16,196,600**	**₱1,100,593**	**₱590,462**	**₱2,020,329**	**₱171,377,188**

	December 31, 2023					
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	Total
Financial Assets						
Cash and other cash items	₱1,875,649	₱–	₱–	₱–	₱–	₱1,875,649
Due from BSP	10,046,735	–	–	–	–	10,046,735
Due from other banks	487,281	–	–	–	–	487,281
Interbank loans receivable and SPURA	11,199,147	–	–	–	–	11,199,147
Financial assets at FVPL:						
Government securities	2,530,941	323,647	417	52,398	459,599	3,367,002
Derivative assets	8,157	–	–	–	9,896	18,053
Financial assets at FVOCI:						
Debt instruments						
Government	6,513,832	2,899,046	36,749	84,315	4,754,176	14,288,118
Private	–	584	584	1,169	36,953	39,290
Equity						
Quoted	–	–	–	–	8,761	8,761
Unquoted	–	–	–	–	15,384	15,384
Financial assets at amortized cost:						
Government	72,536	76,839	630,603	221,547	10,266,571	11,268,096
Private	4,662	6,283	30,161	1,275,993	187,936	1,505,035
Loans and receivables:						
Receivables from:						
Corporate	2,224,879	886,585	2,167,989	1,489,251	4,470,046	11,238,750
Commercial	1,502,795	1,198,595	501,314	290,805	1,740,331	5,233,840
Consumer:						
Auto loans	781,712	877,651	1,174,834	2,833,445	28,976,523	34,644,165
Housing loans	102,428	209,444	318,880	657,360	30,089,715	31,377,827
Others	794,972	8,250	17,522	40,941	228,768	1,090,453
	38,145,726	6,486,924	4,879,053	6,947,224	81,244,659	137,703,586
Sales contract receivable:						
Corporate	260,000	–	–	–	10,539	270,539
Individual	764	–	–	5,923	29,158	35,845
	260,764	–	–	5,923	39,697	306,384
Accounts receivable:						
Corporate	1,608,098	4,275	2,287	4,314	323,021	1,941,995
Individual	207	388	141	1,030	4,966	6,732
	1,608,305	4,663	2,428	5,344	327,987	1,948,727
RCOCI	115	–	–	–	–	115
	₱40,014,910	₱6,491,587	₱4,881,481	₱6,958,491	₱81,612,343	₱139,958,812
Financial Liabilities						
Deposit liabilities:						
Demand	₱24,068,524	₱–	₱–	₱–	₱–	₱24,068,524
Savings	18,286,373	268,447	73,143	2,023	–	18,629,986
Time	22,633,070	3,408,323	2,406,185	2,466,321	760,620	31,674,519
	64,987,967	3,676,770	2,479,328	2,468,344	760,620	74,373,029
Derivative liabilities						
Forward contracts	83,137	–	–	–	–	83,137
Bills payable	13,966,728	–	–	–	–	13,966,728
Manager's checks	986,697	–	–	–	–	986,697
Accounts payable	6,171,814	–	–	–	–	6,171,814
Due to Treasurer of the Philippines	–	–	–	–	37,744	37,744
	21,208,376	–	–	–	37,744	21,246,120
Contingent liabilities	7,422,948	4,216,721	8,895,206	1,065,689	568,306	22,168,870
	₱93,619,291	₱7,893,491	₱11,374,534	₱3,534,033	₱1,366,670	₱117,788,019

5. Fair Value Measurement

The following table provides the fair value hierarchy of the Bank's assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

	December 31, 2024				
		Fair value			
	Carrying value	**Quoted prices in an active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL					
HFT investments					
Government securities	**₱2,504,261,272**	**₱2,504,261,272**	**₱–**	**₱–**	**₱2,504,261,272**
Derivative assets	**17,547,010**	**–**	**17,547,010**	**–**	**17,547,010**
Financial assets at FVOCI					
Government securities	**13,392,092,394**	**13,392,092,394**	**–**	**–**	**13,392,092,394**
Private debt securities	**898,590,293**	**898,590,293**	**–**	**–**	**898,590,293**
Quoted equity securities	**8,761,382**	**8,761,382**	**–**	**–**	**8,761,382**
Unquoted equity securities	**23,431,714**	**–**	**–**	**23,431,714**	**23,431,714**
	16,844,684,065	**16,803,705,341**	**17,547,010**	**23,431,714**	**16,844,684,065**
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost					
Government securities	**13,957,535,243**	**13,911,980,095**	**–**	**–**	**13,911,980,095**
Private debt securities	**183,579,943**	**182,443,821**	**–**	**–**	**182,443,821**
	14,141,115,186	**14,094,423,916**	**–**	**–**	**14,094,423,916**
Loans and receivables					
Receivables from customers					
Corporate lending	**5,309,918,481**	**–**	**–**	**6,807,154,491**	**6,807,154,491**
Commercial lending	**4,355,213,571**	**–**	**–**	**4,450,245,815**	**4,450,245,815**
Consumer lending	**50,096,391,851**	**–**	**–**	**51,731,549,670**	**51,731,549,670**
	59,761,523,903	**–**	**–**	**62,988,949,976**	**62,988,949,976**
Nonfinancial assets					
Investment properties	**1,800,121,153**	**–**	**–**	**3,135,276,525**	**3,135,276,525**
Total assets	**₱92,547,444,307**	**₱30,898,129,257**	**₱17,547,010**	**₱66,147,658,215**	**₱97,063,334,482**
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	**₱163,409,014**	**₱–**	**₱163,409,014**	**₱–**	**₱163,409,014**
Liabilities for which fair values are disclosed					
Financial liabilities					
Time deposits	**31,552,414,791**	**–**	**–**	**31,552,414,791**	**31,552,414,791**
Bills payable	**14,808,320,000**	**–**	**–**	**14,808,320,000**	**14,808,320,000**
	₱46,524,143,805	**₱–**	**₱163,409,014**	**₱46,360,734,791**	**₱46,524,143,805**

	December 31, 2023				
		Fair value			
	Carrying value	Quoted prices in an active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL					
HFT investments					
Government securities	₱3,229,354,974	₱3,229,354,974	₱–	₱–	₱3,229,354,974
Derivative assets	18,053,470	–	18,053,470	–	18,053,470
Financial assets at FVOCI					
Government securities	13,352,386,483	13,352,386,483	–	–	13,352,386,483
Private debt securities	35,784,235	35,784,235	–	–	35,784,235
Quoted equity securities	8,761,382	8,761,382	–	–	8,761,382
Unquoted equity securities	15,383,600	–	–	15,383,600	15,383,600
	16,659,724,144	16,626,287,074	18,053,470	15,383,600	16,659,724,144

(Forward)

	December 31, 2023				
		Fair value			
	Carrying value	Quoted prices in an active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost					
Government securities	₱9,787,035,150	₱9,570,440,988	₱–	₱–	₱9,570,440,988
Private debt securities	1,419,125,003	1,380,664,136	–	–	1,380,664,136
	11,206,160,153	10,951,105,124	–	–	10,951,105,124
Loans and receivables					
Receivables from customers					
Corporate lending	8,414,495,978	–	–	9,647,907,129	9,647,907,129
Commercial lending	3,985,496,139	–	–	4,275,983,047	4,275,983,047
Consumer lending	40,524,069,471	–	–	40,705,038,292	40,705,038,292
	52,924,061,588	–	–	54,628,928,468	54,628,928,468
Nonfinancial assets					
Investment properties	2,076,994,419	–	–	2,727,684,399	2,727,684,399
Total assets	₱82,866,940,304	₱27,577,392,198	₱18,053,470	₱57,371,996,467	₱84,967,442,135
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	₱83,137,059	₱–	₱83,137,059	₱–	₱83,137,059
Liabilities for which fair values are disclosed					
Financial liabilities					
Time deposits	31,658,135,393	–	–	31,658,135,393	31,658,135,393
Bills payable	13,953,240,000	–	–	13,953,240,000	13,953,240,000
	₱45,694,512,452	₱–	₱83,137,059	₱45,611,375,393	₱45,694,512,452

In 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The methods and assumptions used by the Bank in estimating the fair value of the financial instruments are:

COCI, due from BSP and other banks, IBLR and SPURA - The carrying amounts approximate fair values due to the short-term nature of these accounts. IBLR consists mostly of overnight deposits and floating rate placements.

Trading and investment securities - Fair values of debt securities (financial assets at FVPL and and financial investments at FVOCI) and equity investments are generally based on quoted market prices. Where the government debt securities are not quoted or the market prices are not readily available, the fair value is determined in reference to interpolated PH BVAL reference rates provided by the Philippine Dealing and Exchange Corporation (PDEx). For equity investments that are not quoted, the investments are carried at cost less allowance for impairment losses due to the lack of suitable methods of arriving at a reliable fair value.

Derivative instruments - Fair values of derivative instruments, mainly forward foreign exchange contracts, are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique is forward pricing, which uses present value calculations. The model incorporates various inputs including the foreign exchange rates and interest rate curves prevailing at the reporting date.

Loans and receivables - Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Bank's current lending rates for similar types of loans and receivables ranging from 1.3% to 27.30% in 2024 and 2.99% to 30.61% in 2023. Where the instrument reprices on a periodical basis or has a relatively short maturity, the carrying amounts approximated fair values.

Investment properties - The fair values of Bank's investment properties have been determined by the appraisal method by independent external and in-house appraisers based on highest and best use of property being appraised. Valuations were derived on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining fair values include the following:

	Valuation Techniques	**Significant Unobservable Inputs**
Land	Market data approach	Price per square meter, size, location, shape, time element and corner influence
Land and building	Market data approach for building and condominium for sale/lease and cost approach method for land improvements	Reproduction cost new

Significant Unobservable Inputs

Reproduction cost new	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time. In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.

Liabilities - The fair values of liabilities approximate their carrying amounts due to either the demand nature or the relatively short-term maturities of these liabilities except for time deposit liabilities and subordinated debt whose fair values are estimated using the discounted cash flow methodology using the Bank's incremental borrowing rates for similar borrowings ranging from 0.1% to 8.5% with maturities consistent with those remaining for the liability being valued.

6. Due from BSP, Due from Other Banks, and Interbank Loans Receivable and SPURA

Due from BSP
This account represents overnight deposit facility (ODF), demand deposit facility (DDF) and term deposit facility (TDF) maintained by the Bank with the BSP. DDF are generally maintained to meet the regulatory reserve requirements while ODF and TDF are maintained to manage excess liquidity.

Peso-denominated and non-interest-bearing demand deposits are maintained to meet the regulatory reserve requirements of the BSP.

Due from Other Banks
Due from other banks represent demand deposits which are due on demand and earn annual interest of 0.0% to 6.0% in 2024 and 0.0% to 6.5% in 2023, respectively.

Interbank Loans Receivable and SPURA
This represents interbank loans to foreign and local banks with maturities of two months or less and placements with BSP under reverse repurchase facility (RRF).

As at December 31, 2024 and 2023, deposits with BSP under reverse repurchase facility (RRF) included within interbank loans receivable and SPURA amounts to ₱2.5 billion and ₱11.2 billion, and earns interest of 2.6% to 6.4% and 2.6% to 6.55% with tenors of one to four days for both 2024 and 2023.

7. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	2024	2023
Debt securities	**₱2,504,261,272**	₱3,229,354,974
Derivative assets (Note 17)	**17,547,010**	18,053,470
	₱2,521,808,282	₱3,247,408,444

As of December 31, 2024 and 2023, financial assets at FVPL include net unrealized gain(loss) of (₱15.0 million) and ₱89.6 million, respectively (Note 21).

Nominal interest of debt securities ranges from 2.38% to 8.63% and 1.38% to 9.50% in 2024 and 2023, respectively.

Interest income on financial assets at FVPL amounted to ₱68.7 million and ₱83.3 million in 2024 and 2023, respectively.

8. Investment Securities

This account consists of:

	2024	2023
FVOCI		
Government securities	**₱13,392,092,394**	₱13,352,386,483
Private	**898,590,293**	35,784,235
	14,290,682,687	13,388,170,718
Quoted equity instruments	**8,761,382**	8,761,382
Unquoted equity instruments	**23,431,714**	15,383,600
	14,322,875,783	13,412,315,700
Amortized Cost		
Government securities (Note 26)	**13,957,535,243**	9,787,035,150
Private debt securities	**183,579,943**	1,419,125,003
	14,141,115,186	11,206,160,153
Allowance for credit losses	**(4,115,232)**	(9,508,538)
	14,136,999,954	11,196,651,615
Total	**₱28,459,875,737**	₱24,608,967,315

The movements in net unrealized gain (loss) on financial investments at FVOCI follow:

	2024	2023
Balance at beginning of year	**(₱268,497,572)**	(₱377,310,564)
Gains taken to profit and loss (Note 21)	**(28,165,162)**	(2,041,639)
Changes in fair value recognized in equity	**3,328,180**	156,483,013
Provision for expected credit losses	**(9,653,075)**	(1,035,504)
	(302,987,629)	(223,904,694)
Tax effect	**8,622,514**	(44,592,878)
Balance at end of year	**(₱294,365,115)**	(₱268,497,572)

Interest income from FVOCI investments in 2024 and 2023 amounted to ₱642.4 million and ₱650.5 million, respectively.

Peso-denominated financial instruments at FVOCI have effective interest rates ranging from 2.38% to 8.00% and 2.38% to 6.91% in 2024 and 2023, respectively. Foreign currency-denominated financial instruments at FVOCI bear interest of 1.65% to 9.38% and 1.39% to 5.24% in 2024 and 2023, respectively.

Peso-denominated bonds measured at amortized cost have effective interest rates ranging from 3.38% to 6.88% and from 3.20% to 6.64%in 2024 and 2023, respectively. Foreign currency-denominated bonds measured at amortized cost have effective interest rates ranging from 3.18% to 5.75% and from 3.03% to 5.53%in 2024 and 2023, respectively.

Interest income from investment securities at amortized cost amounted to ₱584.3 million and ₱556.1 million in 2024 and 2023, respectively.

9. Loans and Receivables

This account consists of:

	2024	2023
Receivables from customers:		
Corporate	**₱6,711,649,269**	₱9,656,635,000
Commercial	**4,612,622,222**	4,275,983,047
Consumer:		
Auto loans	**32,212,779,952**	24,474,507,399
Housing loans	**17,685,076,941**	15,721,368,405
Others	**1,511,987,605**	997,387,338
	62,734,115,989	55,125,881,189
Less: Unearned discounts and other deferred income	**38,707,668**	76,179,173
	62,695,408,321	55,049,702,016
Accounts receivable:		
Corporate (Note 28)	**1,107,925,178**	1,920,017,356
Individual	**1,344,904**	6,732,134
	1,109,270,082	1,926,749,490
Accrued interest receivable (Note 28)	**955,847,635**	889,752,619
Sales contract receivable:		
Corporate	**267,981,576**	270,538,865
Individual	**26,610,497**	35,845,497
	294,592,073	306,384,362
RCOCI	**114,664**	114,925
	65,055,232,775	58,172,703,412
Less: Allowance for credit losses	**3,030,042,096**	2,912,186,229
	₱62,025,190,679	₱55,260,517,183

Receivables from customers consist of:

	2024	2023
Loans and discounts	**₱61,359,878,230**	₱53,375,340,462
Restructured loans	**878,893,938**	1,014,679,822
Customers' liabilities and other loans	**458,127,548**	583,400,080
Bills purchased (Note 16)	**37,216,273**	152,460,825
	₱62,734,115,989	₱55,125,881,189

Modification of Loans and Receivables

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the enhanced community quarantine (ECQ) period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time 60-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans.

In 2020, the Bank, in addition to the reliefs provided under Bayanihan 1 Act and Bayanihan 2 Act, offered financial reliefs to its borrowers or counterparties as a response to the effect of the COVID-19 pandemic, particularly the modification of existing loans and receivables which include extension of payment terms.

Based on the Bank's assessments, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and, therefore, do not result in the derecognition of the affected financial assets but would require the recognition of modification losses. The total modification losses amounted to ₱315.0 million. The net impact of the loan modification as of December 31, 2024 and 2023, after subsequent accretion of the modified loans, amounted to ₱37.0 million and ₱52.9 million, respectively.

Changes in the staging assessment of loans receivable are presented below (amounts in thousands):

	December 31, 2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans				
Balance at beginning of the year	**₱8,048,363**	**₱438,103**	**₱1,170,169**	**₱9,656,635**
New assets originated or purchased that remained at Stage 1 as at year-end	**2,624,121**	**–**	**–**	**2,624,121**
Newly originated assets that moved to Stages 2 and 3 as at year-end	**–**	**305,235**	**316**	**305,551**
Transfers to Stage 1	**2,653,303**	**(2,653,303)**	**–**	**–**
Effect of collections and other movements in receivable balance	**(8,185,267)**	**2,215,664**	**94,945**	**(5,874,658)**
Balance at end of the year	**₱5,140,520**	**₱305,699**	**₱1,265,430**	**₱6,711,649**
Commercial loans				
Balance at beginning of the year	**₱3,688,379**	**₱43,673**	**₱543,931**	**₱4,275,983**
New assets originated or purchased that remained at Stage 1 as at year-end	**3,473,624**	**–**	**–**	**3,473,624**
Newly originated assets that moved to Stages 2 and 3 as at year-end	**–**	**93,389**	**31,197**	**124,586**
Transfers to Stage 2	**(11,808)**	**11,808**	**–**	**–**
Transfers to Stage 3	**(39,884)**	**(13,909)**	**53,793**	**–**
Effect of collections and other movements in receivable balance	**(2,847,958)**	**(22,188)**	**(391,424)**	**(3,261,570)**
Balance at end of the year	**₱4,262,353**	**₱112,773**	**₱237,497**	**₱4,612,623**
Auto loans				
Balance at beginning of the year	**₱22,294,027**	**₱1,372,237**	**₱808,243**	**₱24,474,507**
New assets originated or purchased that remained at Stage 1 as at year-end	**15,458,577**	**–**	**–**	**15,458,577**
Newly originated assets that moved to Stages 2 and 3 as at year-end	**–**	**825,537**	**138,885**	**964,422**
Transfers to Stage 1	**276,016**	**(267,066)**	**(8,950)**	**–**
Transfers to Stage 2	**(930,184)**	**935,791**	**(5,607)**	**–**
Transfers to Stage 3	**(161,040)**	**(109,445)**	**270,485**	**–**
Effect of collections and other movements in receivable balance	**(7,537,491)**	**(793,415)**	**(353,821)**	**(8,684,727)**
Balance at end of the year	**₱29,399,905**	**₱1,963,639**	**₱849,235**	**₱32,212,779**
Housing loans				
Balance at beginning of the year	**₱14,741,096**	**₱741,238**	**₱239,034**	**₱15,721,368**
New assets originated or purchased that remained at Stage 1 as at year-end	**3,421,167**	**–**	**–**	**3,421,167**
Newly originated assets that moved to Stages 2 and 3 as at year-end	**–**	**59,213**	**37,153**	**96,366**
Transfers to Stage 1	**394,180**	**(381,030)**	**(13,150)**	**–**
Transfers to Stage 2	**(132,792)**	**132,792**	**–**	**–**

(Forward)

	December 31, 2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Transfers to Stage 3	**(₱94,226)**	**(₱60,015)**	**₱154,241**	**₱–**
Effect of collections and other movements in receivable balance	**(1,559,540)**	**(181,284)**	**187,001**	**(1,553,823)**
Balance at end of the year	**₱16,769,885**	**₱310,914**	**₱604,279**	**₱17,685,078**
Others				
Balance at beginning of the year	**₱953,021**	**₱26,310**	**₱18,056**	**₱997,387**
New assets originated or purchased that remained at Stage 1 as at year-end	**606,698**	**–**	**–**	**606,698**
Newly originated assets that moved to Stages 2 and 3 as at year-end	**–**	**1,716**	**2,131**	**3,847**
Write-offs	**–**	**–**	**(117,472)**	**(117,472)**
Transfers to Stage 1	**14**	**(14)**	**–**	**–**
Transfers to Stage 2	**(1,408)**	**1,408**	**–**	**–**
Transfers to Stage 3	**(2,001)**	**–**	**2,001**	**–**
Effect of collections and other movements in receivable balance	**(85,900)**	**(9,896)**	**117,324**	**21,528**
Balance at end of the year	**₱1,470,424**	**₱19,524**	**₱22,040**	**₱1,511,988**

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Balance at beginning of the year	₱9,020,399	₱523,410	₱1,200,761	₱10,744,570
New assets originated or purchased that remained at Stage 1 as at year-end	4,245,588	–	–	4,245,588
Newly originated assets that moved to Stages 2 and 3 as at year-end	–	438,103	48,666	486,769
Write-offs	–	–	(75,561)	(75,561)
Transfers to Stage 3	–	(86,000)	86,000	–
Effect of collections and other movements in receivable balance	(5,217,624)	(437,410)	(89,697)	(5,744,731)
Balance at end of the year	₱8,048,363	₱438,103	₱1,170,169	₱9,656,635
Commercial loans				
Balance at beginning of the year	₱2,921,190	₱76,834	₱649,331	₱3,647,355
New assets originated or purchased that remained at Stage 1 as at year-end	3,078,071	–	–	3,078,071
Newly originated assets that moved to Stages 2 and 3 as at year-end	–	20,692	730	21,422
Transfers to Stage 1	16,001	(16,001)	–	–
Transfers to Stage 2	(22,989)	29,501	(6,512)	–
Transfers to Stage 3	(21,572)	(30,841)	52,413	–
Effect of collections and other movements in receivable balance	(2,282,322)	(36,512)	(152,031)	(2,470,865)
Balance at end of the year	₱3,688,379	₱43,673	₱543,931	₱4,275,983
Auto loans				
Balance at beginning of the year	₱15,236,007	₱1,901,071	₱823,446	₱17,960,524
New assets originated or purchased that remained at Stage 1 as at year-end	13,512,624	–	–	13,512,624
Newly originated assets that moved to Stages 2 and 3 as at year-end	–	345,469	58,179	403,648
Transfers to Stage 1	329,263	(309,924)	(19,339)	–
Transfers to Stage 2	(530,415)	557,590	(27,175)	–
Transfers to Stage 3	(124,573)	(112,802)	237,375	–
Effect of collections and other movements in receivable balance	(6,128,879)	(1,009,167)	(264,243)	(7,402,289)
Balance at end of the year	₱22,294,027	₱1,372,237	₱808,243	₱24,474,507
Housing loans				
Balance at beginning of the year	₱11,819,721	₱801,948	₱196,940	₱12,818,609
New assets originated or purchased that remained at Stage 1 as at year-end	4,360,754	–	–	4,360,754
Newly originated assets that moved to Stages 2 and 3 as at year-end	–	94,755	53,531	148,286
Transfers to Stage 1	367,127	(358,087)	(9,040)	–
Transfers to Stage 2	(325,666)	341,838	(16,172)	–

(Forward)

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Transfers to Stage 3	(₱64,933)	(₱35,068)	₱100,001	–
Effect of collections and other movements in receivable balance	(1,415,907)	(104,148)	(86,226)	(1,606,281)
Balance at end of the year	₱14,741,096	₱741,238	₱239,034	₱15,721,368
Others				
Balance at beginning of the year	₱869,420	₱38,428	₱21,110	₱928,958
New assets originated or purchased that remained at Stage 1 as at year-end	95,939	–	–	95,939
Newly originated assets that moved to Stages 2 and 3 as at year-end	–	4,064	1,879	5,943
Write-offs	–	–	(42,725)	(42,725)
Transfers to Stage 1	1,848	(1,621)	(227)	–
Transfers to Stage 2	(2,328)	2,422	(94)	–
Transfers to Stage 3	(901)	(99)	1,000	–
Effect of collections and other movements in receivable balance	(10,957)	(16,884)	37,113	9,272
Balance at end of the year	₱953,021	₱26,310	₱18,056	₱997,387

Movement of ECL during the year is presented in the table below (amounts in thousands):

	December 31, 2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans				
Balance at beginning of the year	**₱26,793**	**₱90,548**	**₱1,181,078**	**₱1,298,419**
New assets originated or purchased that remained at Stage 1 as at year-end	**8,466**	**–**	**–**	**8,466**
Newly originated assets that moved to Stages 2 and 3 as at year-end	**–**	**98,743**	**202**	**98,945**
Transfers to Stage 1	**12**	**(12)**	**–**	**–**
Effect of collections and other movements in receivable balance	**(17,909)**	**(90,070)**	**103,879**	**(4,100)**
Balance at end of the year	**₱17,362**	**₱99,209**	**₱1,285,159**	**₱1,401,730**
Commercial loans				
Balance at beginning of the year	**₱7,914**	**₱3,364**	**₱260,037**	**₱271,315**
New assets originated or purchased that remained at Stage 1 as at year-end	**9,611**	**–**	**–**	**9,611**
Newly originated assets that moved to Stages 2 and 3 as at year-end	**–**	**5,957**	**610**	**6,567**
Transfers to Stage 2	**(623)**	**623**	**–**	**–**
Transfers to Stage 3	**(2,988)**	**(333)**	**3,321**	**–**
Effect of collections and other movements in receivable balance	**(3,546)**	**(525)**	**(26,014)**	**(30,085)**
Balance at end of the year	**₱10,368**	**₱9,086**	**₱237,954**	**₱257,408**
Auto loans				
Balance at beginning of the year	**₱324,571**	**₱142,797**	**₱495,811**	**₱963,179**
New assets originated or purchased that remained at Stage 1 as at year-end	**143,252**	**–**	**–**	**143,252**
Newly originated assets that moved to Stages 2 and 3 as at year-end	**–**	**95,061**	**48,008**	**143,069**
Transfers to Stage 1	**7,889**	**(7,706)**	**(183)**	**–**
Transfers to Stage 2	**(100,017)**	**100,532**	**(515)**	**–**
Transfers to Stage 3	**(56,977)**	**(39,876)**	**96,853**	**–**
Effect of collections and other movements in receivable balance	**(54,240)**	**(75,918)**	**(93,600)**	**(223,758)**
Balance at end of the year	**₱264,478**	**₱214,890**	**₱546,374**	**₱1,025,742**
Housing loans				
Balance at beginning of the year	**₱111,638**	**₱36,287**	**₱73,772**	**₱221,697**
New assets originated or purchased that remained at Stage 1 as at year-end	**23,241**	**–**	**–**	**23,241**
Newly originated assets that moved to Stages 2 and 3 as at year-end	**–**	**1,391**	**11,007**	**12,398**
Transfers to Stage 1	**5,248**	**(5,098)**	**(150)**	**–**
Transfers to Stage 2	**(5,967)**	**5,967**	**–**	**–**
Transfers to Stage 3	**(28,217)**	**(18,136)**	**46,353**	**–**
Effect of collections and other movements in receivable balance	**(198)**	**(7,423)**	**(54,432)**	**(62,053)**
Balance at end of the year	**₱105,745**	**₱12,988**	**₱76,550**	**₱195,283**

(Forward)

	December 31, 2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Others				
Balance at beginning of the year	**₱80,655**	**₱8,890**	**₱12,439**	**₱101,984**
New assets originated or purchased that remained at Stage 1 as at year-end	**7,693**	**–**	**–**	**7,693**
Newly originated assets that moved to Stages 2 and 3 as at year-end	**–**	**309**	**1,936**	**2,245**
Write-offs	**–**	**–**	**(117,472)**	**(117,472)**
Transfers to Stage 1	**2**	**(2)**	**–**	**–**
Transfers to Stage 2	**(189)**	**189**	**–**	**–**
Transfers to Stage 3	**(1,890)**	**–**	**1,890**	**–**
Effect of collections and other movements in receivable balance	**(17,039)**	**(1,715)**	**116,730**	**97,976**
Balance at end of the year	**₱69,232**	**₱7,671**	**₱15,523**	**₱92,426**

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Balance at beginning of the year	₱47,991	₱180,684	₱1,200,871	₱1,429,546
New assets originated or purchased that remained at Stage 1 as at year-end	13,714	–	–	13,714
Newly originated assets that moved to Stages 2 and 3 as at year-end	–	90,548	48,666	139,214
Transfers to Stage 1	–	–	(75,561)	(75,561)
Transfers to Stage 3	–	(90,265)	90,265	–
Effect of collections and other movements in receivable balance	(34,912)	(90,419)	(83,163)	(208,494)
Balance at end of the year	₱26,793	₱90,548	₱1,181,078	₱1,298,419
Commercial loans				
Balance at beginning of the year	₱4,647	₱12,155	₱331,233	₱348,035
New assets originated or purchased that remained at Stage 1 as at year-end	7,136	–	–	7,136
Newly originated assets that moved to Stages 2 and 3 as at year-end	–	2,081	–	2,081
Transfers to Stage 1	171	(171)	–	–
Transfers to Stage 2	(434)	2,488	(2,054)	–
Transfers to Stage 3	–	(3,780)	3,780	–
Effect of collections and other movements in receivable balance	(3,606)	(9,409)	(72,922)	(85,937)
Balance at end of the year	₱7,914	₱3,364	₱260,037	₱271,315
Auto loans				
Balance at beginning of the year	₱409,249	₱227,136	₱408,852	₱1,045,237
New assets originated or purchased that remained at Stage 1 as at year-end	204,388	–	–	204,388
Newly originated assets that moved to Stages 2 and 3 as at year-end	–	37,661	20,363	58,024
Transfers to Stage 1	6,031	(5,617)	(414)	–
Transfers to Stage 2	(51,584)	54,935	(3,351)	–
Transfers to Stage 3	(45,177)	(44,310)	89,487	–
Effect of collections and other movements in receivable balance	(198,336)	(127,008)	(19,126)	(344,470)
Balance at end of the year	₱324,571	₱142,797	₱495,811	₱963,179
Housing loans				
Balance at beginning of the year	₱156,881	₱61,785	₱61,759	₱280,425
New assets originated or purchased that remained at Stage 1 as at year-end	35,361	–	–	35,361
Newly originated assets that moved to Stages 2 and 3 as at year-end	–	6,075	15,880	21,955
Transfers to Stage 1	3,761	(3,666)	(95)	–
Transfers to Stage 2	(14,991)	15,652	(661)	–
Transfers to Stage 3	(19,767)	(10,907)	30,674	–
Effect of collections and other movements in receivable balance	(49,607)	(32,652)	(33,785)	(116,044)
Balance at end of the year	₱111,638	₱36,287	₱73,772	₱221,697
Others				
Balance at beginning of the year	₱55,053	₱14,698	₱15,173	₱84,924
New assets originated or purchased that remained at Stage 1 as at year-end	6,099	–	–	6,099
Newly originated assets that moved to Stages 2 and 3 as at year-end	–	303	1,500	1,803
Write-offs	–	–	(42,725)	(42,725)

(Forward)

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Transfers to Stage 1	₱137	(₱100)	(₱37)	₱–
Transfers to Stage 2	(584)	599	(15)	–
Transfers to Stage 3	(797)	(92)	889	–
Effect of collections and other movements in receivable balance	20,747	(6,518)	37,654	51,883
Balance at end of the year	₱80,655	₱8,890	₱12,439	₱101,984

As of December 31, 2024 and 2023, allowance for credit losses on accounts receivable and sales contract receivable amounted to ₱57.45 million and ₱77.2 million, respectively.

Interest income on loans and receivables consists of:

	2024	2023
Loans and discounts	**₱4,769,375,913**	₱3,866,402,077
Restructured loans	**19,801,997**	3,781,600
Customers' liabilities and other loans	**56,916,847**	43,650,967
Sales contract receivable	**3,520,117**	4,222,051
	₱4,849,614,874	₱3,918,056,695

Of the total peso-denominated loans of the Bank as of December 31, 2024 and 2023, 81.9% and 81.1% respectively, are subject to periodic interest repricing. Remaining peso-denominated loans earned annual EIR ranging from 4.73% to 25.99% and 5.71% to 30.61% for the years ended December 31, 2024 and 2023, respectively. All foreign currency-denominated loans of the Bank as of December 31, 2024 and 2023 are subject to periodic interest repricing and earned annual EIR ranging from 5.00% to 6.62% and from 5.00% to 7.65% for the years ended December 31, 2024 and 2023, respectively.

All sales contract receivable as of December 31, 2024 and 2023 are subject to periodic interest repricing.

Receivable from Philmay Property, Incorporated (PPI)

On September 15, 2009, the Bank entered into a Memorandum of Agreement (MOA) with Philmay Property, Inc. (PPI) covering a receivable that earned interest based on the one-month PH BVAL reference rate plus 1.00%, subject to monthly repricing. The receivable was initially secured by a US$20.0 million time deposit under a hold-out agreement executed by the Parent Company (MBB). In 2022, the receivable was fully settled through a dacion en pago transaction involving transfer of real estate properties from PPI to the Bank.

On July 31, 2023, the Bank's MBB's Board of Directors approved a Hold-Out Agreement in favor of the Bank. The allocation of the hold-out was updated in September 2024 as follows: US$13.0 million to cover potential losses, costs, and expenses arising from the PPI Dacion and USS$7.0 million to cover exposures from other related party transactions and the required regulatory buffer.

As of December 31, 2024, total receivable from parent related to the PPI Dacion amounted to ₱152.2 million and was settled in April 2025 (Note 28).

10. Property and Equipment

The composition of and movements in this account follow:

	December 31, 2024			
	Condominium Units	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Total**
Cost				
Balance at the beginning of year	**₱262,553,193**	**₱799,343,291**	**₱637,937,621**	**₱1,699,834,105**
Acquisitions	**–**	**50,152,357**	**28,777,043**	**78,929,400**
Disposals/write-off	**–**	**(27,173,949)**	**(29,833,296)**	**(57,007,245)**
Balance at end of the year	**262,553,193**	**822,321,699**	**636,881,368**	**1,721,756,260**
Accumulated depreciation				
Balance at beginning of year	**211,899,265**	**636,218,965**	**547,278,760**	**1,395,396,990**
Depreciation	**6,141,246**	**62,195,517**	**21,088,091**	**89,424,854**
Disposals/write-off	**–**	**(27,148,557)**	**(30,081,295)**	**(57,229,852)**
Balance at end of the year	**218,040,511**	**671,265,925**	**538,285,556**	**1,427,591,992**
Net book value	**₱44,512,682**	**₱151,055,774**	**₱98,595,812**	**₱294,164,268**

	December 31, 2023			
	Condominium Units	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost				
Balance at the beginning of year	₱262,553,193	₱783,613,258	₱601,176,638	₱1,647,343,089
Acquisitions	–	71,456,445	41,103,248	112,559,693
Disposals/write-off	–	(55,726,412)	(4,342,265)	(60,068,677)
Balance at end of the year	262,553,193	799,343,291	637,937,621	1,699,834,105
Accumulated depreciation				
Balance at beginning of year	205,758,021	625,853,209	529,051,400	1,360,662,630
Depreciation	6,141,244	61,883,792	22,557,904	90,582,940
Disposals/write-off	–	(51,518,036)	(4,330,544)	(55,848,580)
Balance at end of the year	211,899,265	636,218,965	547,278,760	1,395,396,990
Net book value	₱50,653,928	₱163,124,326	₱90,658,861	₱304,437,115

Depreciation and amortization consist of:

	2024	2023
Investment properties (Note 11)	**₱159,908,609**	₱142,852,337
Right-of-use assets (Note 24)	**144,073,647**	103,278,664
Property and equipment	**89,424,854**	90,582,940
Chattel properties acquired (Note 12)	**141,424,169**	87,882,330
Software costs (Note 12)	**49,862,719**	45,680,625
	₱584,693,998	₱470,276,896

As of December 31, 2024 and 2023, the cost of fully depreciated property and equipment still in use by the Bank amounted to ₱1.3 billion and ₱1.4 billion, respectively. Certain property and equipment were disposed in 2024 and 2023 which resulted in a net gain on disposal of ₱1.3 million and ₱8.0 million, respectively, and is presented under ‘Gain (loss) on sale of properties’ in the statements of income.

11. **Investment Properties**

The composition of and movements in this account follow:

	December 31, 2024		
	Land	**Building**	**Total**
Cost			
Balance at beginning of year	**₱960,878,010**	**₱1,732,906,699**	**₱2,693,784,709**
Additions (Note 30)	**78,945,191**	**277,832,906**	**356,778,097**
Disposals	**(166,519,380)**	**(86,901,558)**	**(253,420,938)**
Balance at end of year	**873,303,821**	**1,923,838,047**	**2,797,141,868**
Accumulated depreciation			
Balance at beginning of year	**–**	**601,350,243**	**601,350,243**
Depreciation (Note 10)	**–**	**159,908,609**	**159,908,609**
Disposals	**–**	**(17,575,365)**	**(17,575,365)**
Balance at end of year	**–**	**743,683,487**	**743,683,487**
Allowance for impairment losses			
Balance at beginning of year	**11,954,126**	**3,485,921**	**15,440,047**
Provisions	**71,101,973**	**166,795,208**	**237,897,181**
Balance at end of year	**83,056,099**	**170,281,129**	**253,337,228**
Net book value at end of year	**₱790,247,722**	**₱1,009,873,431**	**₱1,800,121,153**

	December 31, 2023		
	Land	Building	Total
Cost			
Balance at beginning of year	₱1,117,098,352	₱1,582,165,871	₱2,699,264,223
Additions (Note 30)	13,327,105	182,502,908	195,830,013
Disposals	(169,547,447)	(31,762,080)	(201,309,527)
Balance at end of year	960,878,010	1,732,906,699	2,693,784,709
Accumulated depreciation			
Balance at beginning of year	–	468,616,675	468,616,675
Depreciation (Note 10)	–	142,852,337	142,852,337
Disposals	–	(10,118,769)	(10,118,769)
Balance at end of year	–	601,350,243	601,350,243
Allowance for impairment losses			
Balance at beginning of year	18,867,718	1,441,525	20,309,243
Provisions (reversals)	(3,718,633)	2,073,060	(1,645,573)
Disposals	(3,194,959)	(28,664)	(3,223,623)
Balance at end of year	11,954,126	3,485,921	15,440,047
Net book value at end of year	₱948,923,884	₱1,128,070,535	₱2,076,994,419

Annually, management reviews the recoverable amount of investment properties. Several factors are considered such as real estate prices and physical condition of properties. The fair value of the investment properties as of December 31, 2024 and 2023 amounted to ₱3.1 billion and ₱2.7 billion as determined by independent and/or in-house appraisers (see Note 5).

Direct operating expenses, included in the 'Litigation and assets acquired expenses' in the statements of income, arising from investment properties amounted to ₱137.9 million and ₱161.3 million for the years ended December 31, 2024 and 2023, respectively.

12. **Other Assets**

This account consists of:

	2024	2023
Chattel properties acquired	**₱305,217,377**	₱227,232,100
Prepaid expenses	**203,614,389**	115,879,827
Advance rental and security deposits	**149,223,427**	62,176,071
Software costs	**88,510,863**	108,453,327
Documentary stamps	**39,557,576**	37,629,863
Prepaid interest	**104,167**	116,673
Miscellaneous	**90,675,975**	176,852,501
	₱876,903,774	₱728,340,362

Prepaid interest represents advance interest payments on certain time deposit products.

Allowance for impairment loss on certain other assets amounted to ₱4.8 million as of December 31, 2024 and 2023.

Movements in chattel properties acquired follow:

	2024	2023
Cost		
Balances at beginning of year	**₱273,592,929**	₱170,285,427
Additions (Note 30)	**1,087,354,583**	538,683,689
Disposals	**(992,892,808)**	(435,376,187)
Balances at end of year	**368,054,704**	273,592,929
Accumulated Depreciation		
Balances at beginning of year	**43,916,344**	6,946,687
Depreciation (Note 10)	**141,424,169**	87,882,330
Disposals	**(133,522,567)**	(50,912,673)
Balances at end of year	**51,817,946**	43,916,344
Accumulated Impairment Loss		
Balances at beginning of year	**2,444,485**	2,631,287
Provision	**10,631,931**	2,219,035
Disposals	**(2,057,035)**	(2,405,837)
Balances at end of year	**11,019,381**	2,444,485
Net Book Value at end of year	**₱305,217,377**	₱227,232,100

Movements in software costs follow:

	2024	2023
Cost		
Balances at beginning of year	**₱459,936,554**	₱104,875,049
Additions	**29,920,255**	355,061,505
Balances at end of year	**489,856,809**	459,936,554
Accumulated Depreciation		
Balances at beginning of year	**351,483,227**	305,802,602
Amortization (Note 10)	**49,862,719**	45,680,625
Balances at end of year	**401,345,946**	351,483,227
Net Book Value at end of year	**₱88,510,863**	₱108,453,327

As of December 31, 2024 and 2023, the cost of fully depreciated software still in use by the Bank amounted to ₱296.5 million and ₱213.9 million, respectively.

13. Deposit Liabilities

In 2023, BSP Circular No. 1175 was issued reducing the reserve requirements against deposit and deposit substitute liabilities. As of December 31, 2024 and 2023, non-FCDU deposit liabilities of the Bank and deposit substitutes are subject to required reserves of 7% and 9.5%, respectively. The required reserves can be kept in the form of deposits maintained in the demand deposit accounts with the BSP and any government securities used as compliance until they mature.

As of December 31, 2024 and 2023, the total statutory and liquidity reserves (under 'Due from BSP' account) as reported to the BSP amounted to ₱4.9 billion and ₱7.8 billion, respectively.

Interest expense on deposit liabilities consists of:

	2024	2023
Time	**₱2,070,240,355**	₱1,179,419,031
Demand	**91,333,064**	85,475,212
Savings	**57,702,159**	78,497,101
	₱2,219,275,578	₱1,343,391,344

Peso-denominated deposit liabilities earn annual fixed interest rates ranging from 0.13% to 8.50% for the years ended December 31, 2024 and 2023, while foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.01% to 6.15%and from 0.01% to 5.10% for the years ended December 31, 2024 and 2023, respectively.

14. Bills Payable

This account consists of unsecured borrowings from the Parent Company (see Note 28) amounting to ₱14.8 billion and ₱14.0 billion as of December 31, 2024 and 2023, respectively.

Dollar-denominated borrowings are subject to annual EIR ranging from 4.8% to 5.8% and from 0.28% to 4.95% for the years ended December 31, 2024 and 2023, respectively.

As of December 31, 2024 and 2023, the Bank recognized interest expense amounted to ₱525.0 million and ₱558.4 million, respectively. The terms of the borrowings range from 1 to 3 days and 1 to 6 days in 2024 and 2023, respectively.

15. Accrued Interest, Taxes and Other Expenses

This account consists of:

	2024	2023
Accrued employee benefits	**₱317,503,794**	₱272,590,286
Accrued interest payable (Note 28)	**157,611,862**	123,196,928
Accrued rent	**9,972,495**	16,624,803
Accrued taxes and licenses	**81,459,130**	76,192,506
Accrued other expenses (Note 28)	**260,631,316**	486,537,148
	₱827,178,597	₱975,141,671

Accrued other expenses include accrual for various administrative expenses, professional fees, information technology expenses and other provisions.

16. Other Liabilities

This account consists of:

	2024	2023
Accounts payable	**₱4,471,390,869**	₱6,171,814,538
Unearned bancassurance income (Note 28)	**366,666,667**	400,000,000
Net pension liability (Note 20)	**363,158,054**	377,945,572
Withholding taxes payable	**157,969,471**	99,807,776
Due to the Treasurer of the Philippines	**37,842,667**	37,743,853
Bills purchased - contra (Note 9)	**37,216,273**	152,460,825
Allowance for credit losses on off-balance sheet exposures	**34,668,343**	36,219,617
Other dormant credits	**26,835,555**	22,829,919
Other deferred credits	**–**	55,888
Miscellaneous	**134,870,174**	178,537,059
	₱5,630,618,073	₱7,477,415,047

Accounts payable mainly refers to other obligation of the Bank under open account arrangement such as deposit made by customers for various expenses in connection with pending loan applications, indebtedness of closed accounts pending claim from depositors or heirs, and payables to various suppliers.

17. Derivative Financial Instruments

As of December 31, 2024 and 2023, the Bank's derivative financial instruments represent interest rate swaps and currency forwards used by the Bank to manage exposures arising from changes in interest rates and foreign exchange rates.

The table sets out the information about the Bank's derivative financial instruments and the related fair values, together with the notional amounts:

	December 31, 2024			December 31, 2023		
	Notional Amount	**Derivative Asset**	**Derivative Liability**	Notional Amount	Derivative Asset	Derivative Liability
Forward contracts	**US$416,084,055**	**₱1,574,745**	**₱163,409,014**	US$386,500,000	₱5,941,404	₱83,137,059
Cross-currency interest rate swap	**2,200,000**	**15,972,265**	**–**	124,871,352	9,993,177	–
Non-deliverable forwards (NDF)	**–**	**–**	**–**	552,675,000	2,118,889	–
		₱17,547,010	**₱163,409,014**		₱18,053,470	₱83,137,059

The Bank has no foreign-currency denominated interest rate swaps in 2024 and 2023.

Interest income from derivatives in 2024 and 2023 amounted to ₱3.4 million and ₱13.5 million, respectively. Interest expense on derivatives in 2024 and 2023 amounted to ₱3.4 million and ₱3.2 million, respectively.

The movements in the Bank's derivative financial instruments follow:

	2024	2023
Derivative Assets		
Balance at beginning of year	**₱18,053,470**	₱195,807,183
Changes in fair value (Note 21)	**(38,211,876)**	(71,960,522)
Net addition (settlement)	**37,705,416**	(105,793,191)
Balance at end of year	**₱17,547,010**	₱18,053,470
Derivative Liabilities		
Balance at beginning of year	**₱83,137,059**	₱364,963,217
Changes in fair value (Note 21)	**4,089,588**	(1,769,826)
Net addition (settlement)	**76,182,367**	(280,056,332)
Balance at end of year	**₱163,409,014**	₱83,137,059

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		
	Up to 1 year	**Over 1 year**	**Total**	Up to 1 year	Over 1 year	Total
Financial assets						
Cash and other cash items	**₱1,956,185,744**	**₱–**	**₱1,956,185,744**	₱1,875,648,564	₱–	₱1,875,648,564
Due from BSP	**8,084,429,325**	**–**	**8,084,429,325**	10,043,340,662	–	10,043,340,662
Due from other banks	**508,236,828**	**–**	**508,236,828**	487,280,941	–	487,280,941
Interbank loans receivable and SPURA	**2,529,840,390**	**–**	**2,529,840,390**	11,191,350,712	–	11,191,350,712
Financial assets at FVPL						
Government securities	**2,504,261,272**	**–**	**2,504,261,272**	3,229,354,974	–	3,229,354,974
Derivative assets	**6,825,265**	**10,721,745**	**17,547,010**	8,157,713	9,895,757	18,053,470
	15,589,778,824	**10,721,745**	**15,600,500,569**	26,835,133,566	9,895,757	26,845,029,323
Financial assets at FVOCI						
Government securities	**7,506,496,254**	**5,885,596,141**	**13,392,092,395**	9,356,732,246	3,995,654,237	13,352,386,483
Private debt securities	**35,956,484**	**862,633,808**	**898,590,292**	–	35,784,235	35,784,235
Equity securities						
Quoted equity instruments	**–**	**8,761,382**	**8,761,382**	–	8,761,382	8,761,382
Unquoted equity instruments	**–**	**23,431,714**	**23,431,714**	–	15,383,600	15,383,600
	7,542,452,738	**6,780,423,045**	**14,322,875,783**	9,356,732,246	4,055,583,454	13,412,315,700
Investment securities at amortized cost						
Government securities	**8,986,936,615**	**4,970,598,628**	**13,957,535,243**	548,509,436	9,238,525,714	9,787,035,150
Private debt securities	**155,379,975**	**28,199,968**	**183,579,943**	1,235,545,060	183,579,943	1,419,125,003
	9,142,316,590	**4,998,798,596**	**14,141,115,186**	1,784,054,496	9,422,105,657	11,206,160,153

(Forward)

	2024			2023		
	Up to 1 year	**Over 1 year**	**Total**	Up to 1 year	Over 1 year	Total
Loans and receivables						
Receivables from customers						
Corporate	**₱5,106,780,838**	**₱1,604,868,431**	**₱6,711,649,269**	₱6,307,329,818	₱3,349,305,182	₱9,656,635,000
Commercial	**3,356,496,409**	**1,256,125,813**	**4,612,622,222**	3,159,237,785	1,116,745,262	4,275,983,047
Consumer						
Auto loans	**1,556,480,379**	**30,656,299,573**	**32,212,779,952**	1,874,274,150	22,600,233,249	24,474,507,399
Housing	**94,430,073**	**17,590,646,868**	**17,685,076,941**	70,108,081	15,651,260,324	15,721,368,405
Others	**1,361,461,896**	**150,525,709**	**1,511,987,605**	821,769,748	175,617,590	997,387,338
	11,475,649,595	**51,258,466,394**	**62,734,115,989**	12,232,719,582	42,893,161,607	55,125,881,189
Sales contract receivable						
Corporate	**260,000,000**	**7,981,576**	**267,981,576**	260,000,000	10,538,865	270,538,865
Individual	**2,633,670**	**23,976,827**	**26,610,497**	6,687,411	29,158,086	35,845,497
	262,633,670	**31,958,403**	**294,592,073**	266,687,411	39,696,951	306,384,362
Accounts receivable						
Corporate	**311,780,800**	**348,968,808**	**660,749,608**	1,596,996,007	323,021,349	1,920,017,356
Individual	**18,143,760**	**430,376,713**	**448,520,473**	1,766,214	4,965,920	6,732,134
	329,924,560	**779,345,521**	**1,109,270,081**	1,598,762,221	327,987,269	1,926,749,490
Accrued interest receivable	**955,847,635**	**–**	**955,847,635**	889,752,619	–	889,752,619
RCOCI	**114,664**	**–**	**114,664**	114,925	–	114,925
	955,962,299	**–**	**955,962,299**	889,867,544	–	889,867,544
	45,298,718,276	**63,859,713,704**	**109,158,431,980**	52,963,957,066	56,748,430,695	109,712,387,761
Nonfinancial assets						
Property and equipment	**–**	**294,164,268**	**294,164,268**	–	304,437,115	304,437,115
Right-of-use assets	**–**	**634,319,519**	**634,319,519**	–	567,834,390	567,834,390
Investment properties	**–**	**1,800,121,153**	**1,800,121,153**	–	2,076,994,419	2,076,994,419
Deferred tax assets	**–**	**1,006,121,158**	**1,006,121,158**	–	1,119,845,338	1,119,845,338
Other assets	**–**	**876,903,774**	**876,903,774**	–	728,340,362	728,340,362
	–	**4,611,629,872**	**4,611,629,872**	–	4,797,451,624	4,797,451,624
Less: Allowance for impairment and credit losses			**(3,034,157,327)**			(2,921,694,767)
Unearned discounts and other deferred income			**(38,707,668)**			(76,179,173)
Total Assets			**₱110,697,196,857**			₱111,511,965,445
Financial liabilities						
Deposit liabilities						
Demand	**₱24,544,060,368**	**₱–**	**₱24,544,060,368**	₱24,068,523,547	₱–	₱24,068,523,547
Savings	**19,708,866,423**	**–**	**19,708,866,423**	18,629,985,623	–	18,629,985,623
Time	**31,349,791,107**	**202,623,684**	**31,552,414,791**	30,897,107,119	761,028,274	31,658,135,393
	75,602,717,898	**202,623,684**	**75,805,341,582**	73,595,616,289	761,028,274	74,356,644,563
Derivative liabilities	**163,409,014**	**–**	**163,409,014**	83,137,059	–	83,137,059
Bills payable	**14,808,320,000**	**–**	**14,808,320,000**	13,953,240,000	–	13,953,240,000
Manager's checks	**709,259,872**	**–**	**709,259,872**	986,697,492	–	986,697,492
Accrued interest payable	**157,611,862**	**–**	**157,611,862**	123,196,928	–	123,196,928
Accounts payable	**4,139,686,216**	**331,704,653**	**4,471,390,869**	6,171,814,538	–	6,171,814,538
Due to Treasurer of the Philippines	**–**	**37,842,667**	**37,842,667**	–	37,743,853	37,743,853
	95,581,004,862	**572,171,004**	**96,153,175,866**	94,913,702,306	798,772,127	95,712,474,433
Nonfinancial liabilities						
Lease liabilities	**471,696,671**	**284,311,542**	**756,008,213**	232,881,547	489,962,571	722,844,118
Income tax payable	**28,841,261**	**–**	**28,841,261**	7,014,915	–	7,014,915
Accrued taxes and other expenses	**669,566,735**	**–**	**669,566,735**	851,944,743	–	851,944,743
Other liabilities	**1,121,384,537**	**–**	**1,121,384,537**	489,911,084	777,945,572	1,267,856,656
	2,291,489,204	**284,311,542**	**2,575,800,746**	1,581,752,289	1,267,908,143	2,849,660,432
	₱97,872,494,066	**₱856,482,546**	**₱98,728,976,612**	₱96,495,454,595	₱2,066,680,270	₱98,562,134,865

19. **Capital Funds**

The Bank's capital stock as of December 31, 2024 and 2023 consists of:

	Shares	Amount
Common stock - ₱35.0 par value		
Authorized	473,366,128	₱16,567,814,480
Issued and outstanding	294,666,977	10,313,344,184
Balance at the beginning and end of the period	294,666,977	10,313,344,184
Preferred stock - ₱3.7 par value		
Authorized	295,000,000	1,091,500,000
Issued and outstanding	64,355,294	238,114,588
Balance at the beginning and end of the period, net of subscriptions receivable of ₱5,574,864	62,848,617	232,539,724
	357,515,594	₱10,545,883,908

Preferred shares of stock are cumulative with a guaranteed quarterly dividend of 2.50%, nonparticipating, nonvoting and with preference in asset distribution and payable in full at par plus accumulated dividends in case of dissolution or liquidation. Dividends are declared at the discretion of the BOD.

Preferred Series "A" and "B" shares of stock are redeemable at the option of the Bank at par value plus unpaid accumulated dividends after 15 years from date of issue. Where the Bank exercises the option to redeem the shares, the holder will have an option to convert to new preferred shares or certificate of indebtedness in lieu of redemption. Preferred Series "B" shares of stock included in the increase in capitalization authorized under the resolution passed by stockholders on October 20, 1962, are redeemable after 10 years from date of issue and convertible, at the option of the holder, into voting common shares of stock in lieu of redemption. Both Preferred Series "A" and "B" shares of stock were issued on October 1, 1961.

Preferred Series "C" shares of stock have preference in payment of dividends over other preferred or common shares which have unpaid accumulated and accrued dividends, and are convertible into voting common stock at the option of the holder thereof, provided that such conversion be made only after 7.5 years from date of issue. Preferred Series "C" shares of stock were issued on September 14, 1974.

As of December 31, 2024 and 2023, dividends in arrears on cumulative preferred shares amounted to ₱1.1 billion. On April 12, 2023, the Bank's BOD approved the declaration of cash dividends of ₱1.39 per common and preferred share, amounting to ₱425,871,404 and ₱89,612,903, respectively, in favor of the stockholders of record as of the record date of April 12, 2023.

Treasury shares consist of 5,130 common shares, 38,000 Preferred Series "A" shares of stock and 17,150 Preferred Series "B" shares of stock, which are carried at cost.

Capital Management

The Bank manages its capital to ensure it complies with externally imposed capital requirements and maintains healthy capital ratios to support business growth and maximize shareholder value.

Surplus reserves

Surplus reserves of the Bank include reserve for trust business amounting to ₱42.7 million and ₱40.2 million as of December 31, 2024 and 2023, respectively. In compliance with existing BSP regulations, 10.00% of the net profits realized by the Bank from its trust business is appropriated to surplus reserve. The yearly appropriation is required until the surplus reserve for trust business equals 20.00% of the Bank's regulatory capital.

Regulatory Qualifying Capital

BSP, as the Bank's lead regulator, sets and monitors capital requirements. Under current banking regulations, the Bank's compliance with regulatory requirements and ratios is based on the "unimpaired capital" (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies, which differ from PFRS in some respects. Moreover, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than ten percent (10.00%). Qualifying capital and risk-weighted assets are computed based on BSP regulations. The Bank is also required to meet the minimum capital of ₱10.0 billion.

Effective January 1, 2014, the Bank complied with BSP Circular No. 781, Basel III *Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

The BSP prescribes certain sanctions for non-compliance with the minimum capital requirements depending on the degree of capital deficiency incurred by the Bank such as suspension of authority to invest in allied undertakings, branching privileges and declaration of dividends, among others.

On June 27, 2014, the BSP issued Circular No. 839, REST Limit for Real Estate Exposures which provides the implementing guidelines on the prudential REST limit for universal, commercial, and thrift banks on their aggregate real estate exposures. The Bank should maintain CET1 and CAR levels at the regulatory prescribed minimums, on a solo and consolidated basis, even after the simulated results of a 25.00% write-off to the Bank's real estate exposures. These shall be complied with at all times.

The table below summarizes the (CAR) of the Bank as reported to the BSP as of December 31, 2024 and 2023 (amounts in millions):

	2024	2023
Net Tier 1/CET 1 Capital	**₱10,406**	₱11,067
Tier 2 capital	**453**	571
Total Qualifying Capital	**₱10,859**	₱11,638
Credit Risk-Weighted Assets	**₱65,489**	₱57,005
Market Risk-Weighted Assets	**429**	579
Operational Risk-Weighted Assets	**8,677**	8,959
Total Risk-Weighted Assets	**₱74,595**	₱66,543
CET1 Ratio	**13.95%**	16.63%
Tier 1 capital ratio	**13.95%**	16.63%
Total capital ratio	**14.56%**	17.49%

The qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations.

Under Basel III, the regulatory Gross Qualifying Capital of the Bank consists of Tier 1 (core), composed of Common Equity Tier 1 and Additional Tier 1, and Tier 2 (supplementary) capital. Tier 1 capital comprises share capital, retained earnings (including current year profit) and non-controlling interest less required deductions such as deferred income tax and unsecured credit accommodations to DOSRI. Tier 2 capital includes unsecured subordinated debts, revaluation reserves and general loan loss provision.

Risk-weighted assets are determined by assigning defined risk weights to the statements of financial position exposure and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.00% to 150.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors.

Below is a summary of risk weights and selected exposure types:

Risk weight	Exposure/Asset type*
0.00%	Cash on hand; claims collateralized by securities issued by the national government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20.00%	COCI, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation
50.00%	Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation
75.00%	Direct loans of defined Small Medium Enterprise (SME) and microfinance loans portfolio; nonperforming housing loans fully secured by first mortgage
100.00%	All other assets (e.g., real estate assets) excluding those deducted from capital (e.g., deferred income tax)
150.00%	All nonperforming loans (except nonperforming housing loans fully secured by first mortgage) and all nonperforming debt securities

** Not all inclusive*

With respect to off-balance sheet exposures, the exposure amount is multiplied by a credit conversion factor (CCF), ranging from 0.00% to 100.00%, to arrive at the credit equivalent amount, before the risk weight factor is multiplied to arrive at the risk-weighted exposure. Direct credit substitutes (e.g., guarantees) have a CCF of 100.00%, while items not involving credit risk have a CCF of 0.00%.

In the case of derivatives, the credit equivalent amount (against which the risk weight factor is multiplied to arrive at the risk-weighted exposure) is generally the sum of the current credit exposure or replacement cost (the positive fair value or zero if the fair value is negative or zero) and an estimate of the potential future credit exposure or add-on. The add-on ranges from 0.00% to 1.50% (interest rate-related) and from 1.00% to 7.50% (exchange rate-related), depending on the residual maturity of the contract. For credit-linked notes and similar instruments, the risk-weighted exposure is the higher of the exposure based on the risk weight of the issuer's collateral or the reference entity or entities.

The risk-weighted CAR is calculated by dividing the sum of its Tier 1 and Tier 2 capital, as defined under BSP regulations, by its risk-weighted assets. The risk-weighted assets, as defined by the BSP regulations, consist of all of the assets on the statement of financial position at their respective book values, together with certain other off-balance sheet items, weighted by certain percentages depending on the risks associated with the type of assets. The determination of compliance with regulatory requirements and ratios is based on the amount of the Bank's 'unimpaired capital' (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting practices which differ from PFRS in some respects.

As of December 31, 2024 and 2023, the Bank has complied with the CAR requirement of the BSP.

Internal Capital Adequacy Assessment Process (ICAAP)

In 2009, the BSP issued Circular No. 639 covering the ICAAP which supplements the BSP's risk-based capital adequacy framework under BSP Circular No. 538. The Bank has a Board-approved ICAAP Framework with areas that cover Capital Management, Pillar 1 and Pillar 2

Risk Measurement, Minimum Internal Capital Requirement Calculation, Use of the ICAAP, Governance Structure, and Reporting Framework. The Bank complies with the required annual submission of updated ICAAP.

Leverage Ratio
On June 9, 2015, BSP issued circular No. 881, which approved the guidelines for the implementation of the Basel 3 Leverage Ratio (BLR) in the Philippines. The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. The leverage ratio intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator). The monitoring of the leverage ratio shall be implemented as a Pillar 1 minimum requirement effective on July 1, 2018.

The BLR of the Bank as of December 31, 2024 and 2023 as reported to the BSP are shown in the table below (amounts in millions).

	2024	2023
Tier 1 Capital	**₱10,406**	₱11,067
Exposure Measure	**117,191**	115,956
Leverage Ratio	**8.88%**	9.54%

Liquidity Coverage Ratio
On February 18, 2016, the BSP issued Circular No. 905 which approved the attached liquidity standards, which include guidelines on liquidity coverage ratio (LCR), and LCR disclosure standards that are consistent with the Basel III framework. Banks are required to adopt Basel III's Liquidity Coverage Ratio (LCR) aimed at strengthening the short-term liquidity position of banks. This requires banks to have available High Quality Liquid Assets (HQLA) to meet anticipated net cash outflow for a 30-day period under stress conditions. The standard prescribes that, under a normal situation, the value of the liquidity ratio be no lower than 100% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against potential onset of liquidity stress.

As of December 31, 2024 and 2023, the LCR of the Bank as reported to the BSP in single currency is 120.03% and 132.76%, respectively.

Net Stable Funding Ratio
On June 6, 2018, the BSP issued Circular No. 1007 which approved the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR). Banks are required to adopt Basel III's NSFR aimed to promote long-term resilience of banks against liquidity risk. Banks shall maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. Banks shall maintain an NSFR of at least 100 percent (100%) at all times. The NSFR complements the LCR, which promotes short-term resilience of a Bank's liquidity profile.

As of December 31, 2024 and 2023, the NSFR of the Bank as reported to the BSP is 111.38% and 126.81%, respectively.

The Bank has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis. The Bank has complied with all externally imposed capital requirement throughout the period.

20. Retirement Plan

The Bank has a funded noncontributory defined benefit retirement plan (the Plan) covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits based on the employee's final plan salary and years of service. The Bank's retirement plan is in the form of a trust administered by the Bank's Trust Division under the supervision of the Staff Committee.

Under the existing regulatory framework, RA No. 7641 requires companies with at least ten (10) employees to pay retirement benefits to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The net pension liability included in 'Other liabilities' in the statements of financial position is as follows:

	2024	2023
Present value of the defined benefit obligation	**₱622,367,638**	₱623,168,841
Fair value of plan assets	**(259,209,584)**	(245,223,269)
Net pension liability	**₱363,158,054**	₱377,945,572

Changes in the present value of the defined benefit obligation as of December 31, 2024 and 2023 recognized in the statements of financial position follow:

	2024	2023
Balance at beginning of year	**₱623,168,841**	₱529,603,156
Current service cost	**74,360,248**	65,287,601
Interest cost	**37,639,398**	37,019,261
Remeasurement loss (gain):		
Actuarial loss (gain) arising from experience adjustments	**(26,157,246)**	49,105,921
Actuarial loss (gain) arising from changes in financial assumptions	**(3,468,694)**	38,782,372
Benefits paid	**(83,174,909)**	(96,629,470)
Balance at end of year	**₱622,367,638**	₱623,168,841

Changes in fair value of plan assets are, as follows:

	2024	2023
Balance at beginning of year	**₱245,223,269**	₱264,239,312
Contributions	**97,188,161**	83,836,534
Interest income	**14,811,485**	18,470,328
Remeasurement loss	**(9,909,249)**	(24,693,435)
Benefits paid	**(88,104,082)**	(96,629,470)
Balance at end of year	**₱259,209,584**	₱245,223,269

The fair value of plan assets by each class is as follows:

	2024	2023
Cash and cash equivalents	**₱14,705,111**	₱40,154,110
Accrued interest and other receivables	**2,858,993**	2,100,504
Debt instruments		
Government securities	**239,890,128**	191,721,197
Private securities	**2,106,004**	11,597,906
Liabilities	**(350,652)**	(350,448)
Fair value of plan assets	**₱259,209,584**	₱245,223,269

The Bank's plan assets are carried at fair value. All equity and debt instruments held have quoted prices in active market. The fair value of cash and cash equivalents, accrued interest and other receivables approximates its carrying amount due to the short-term nature of these accounts.

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. The portfolio mix of the Bank's plan assets as of December 31, 2024 and 2023 was approved by the Staff Committee.

The Bank expects to contribute ₱97.2 million to the plan in 2025.

The cost of defined benefit retirement plans as well as the present value of the benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used are shown below:

	2024	2023
Discount rate		
At January 1	**6.04%**	6.99%
At December 31	**6.12%**	6.04%
Future salary increase rate	**4.50%**	4.50%
Average remaining working life	**6**	7

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2024 and 2023, assuming all other assumptions were held constant.

	2024	2023
Increase in discount rate by 1.00%	**(₱40,730,872)**	(₱40,705,084)
Decrease in discount rate by 1.00%	**45,680,670**	46,048,291
Increase in salary increase rate by 1.00%	**46,315,897**	46,537,635
Decrease in salary increase rate by 1.00%	**(43,062,546)**	(42,704,537)

The amounts included in 'Compensation and fringe benefits' expense in the statements of income are as follows:

	2024	2023
Current service cost	**₱74,360,248**	₱65,287,601
Net interest cost	**22,827,913**	18,548,933
Expense recognized during the year	**₱97,188,161**	₱83,836,534

The Bank also has a defined contribution plan for certain employees. The pension expense recognized under this plan amounting to ₱26.6 million and ₱26.3 million for the years ended December 31, 2024 and 2023, respectively, is included in 'Compensation and fringe benefits' in the statements of income.

The average duration of the retirement liability is 17 years and 15 years as of December 31, 2024 and 2023, respectively. Maturity analysis of the undiscounted benefit payments follows:

	2024	2023
Less than one year	**₱73,184,210**	₱101,977,984
More than one to five years	**463,192,235**	302,666,709
More than five to 10 years	**576,757,238**	551,186,364
More than 10 to 15 years	**539,470,243**	589,002,787
More than 15 to 20 years	**324,516,701**	438,516,343
More than 20 years	**636,048,534**	675,687,857

21. Trading Gains - net

This account consists of trading gains (losses) from the following financial assets:

	2024	2023
Financial instruments at FVPL:		
Derivatives (Note 17)	**(₱34,122,289)**	₱89,999,307
Debt securities (Note 7)	**94,709,902**	18,108,880
Financial assets at FVOCI (Note 8)	**28,165,162**	2,041,639
	₱88,752,775	₱110,149,826

22. Service Charges, Fees and Commissions

This account consists of:

	2024	2023
Credit-related (Note 28)	**₱511,343,494**	₱419,184,038
Deposit-related	**69,005,155**	58,615,782
Others (Note 28)	**147,531,335**	102,781,959
	₱727,879,984	₱580,581,779

Credit-related service fees are generated from the auto and mortgage businesses of the Bank. Others include bancasurance fees.

23. Miscellaneous Income and Expense

Miscellaneous income consists of:

	2024	2023
Processing fee	**₱59,406,319**	₱67,231,700
Recovery on written-off accounts	**27,681,448**	47,605,569
Trust fees (Note 28)	**25,129,262**	26,453,474
Rental Income	**940,342**	3,169,904
Others	**11,115,843**	24,998,807
	₱124,273,214	₱169,459,454

Others include miscellaneous income from penalties, inspection and appraisal fees on charged off assets.

Miscellaneous expense consists of:

	2024	2023
Outsourced services	**₱260,884,556**	₱207,501,494
Cards-related expenses	**138,176,954**	98,276,452
Advertising and publications	**45,328,655**	17,207,376
Commissions and service charges	**42,858,564**	57,362,006
Membership fees and dues	**33,564,602**	33,377,209
Banking fees	**30,060,937**	31,216,242
Freight	**23,909,425**	11,934,545
Repairs and maintenance	**22,282,386**	23,439,503
Fuel and lubricants	**1,430,815**	3,171,561
Philippine Clearing House Corporation fees	**1,415,680**	1,400,099
Others	**40,589,980**	210,363,181
	₱640,502,554	₱695,249,668

Cards-related expenses include costs relating to cards business of the Bank, settlement expenses and credit investigation expenses.

Others include provisions, periodicals, various office supplies, registration fee for various seminars, donations and charitable contribution.

24. Lease Contracts

The rollforward analysis of right-of-use assets follows:

	2024	2023
Right-of-use assets, beginning balance	**₱567,834,390**	₱619,425,733
Additions	**210,558,776**	51,687,321
Depreciation (Note 10)	**(144,073,647)**	(103,278,664)
Right-of-use assets, ending balance	**₱634,319,519**	₱567,834,390

Set out below are the amounts recognized in the statement of income:

	2024	2023
Depreciation expense of right-of-use assets (Note 10)	**₱144,073,647**	₱103,278,664
Interest expense on lease liabilities	**62,662,384**	58,744,678
Rent expense - short-term leases and leases of low-value assets	**89,060,732**	95,857,761
Total amounts recognized in statement of income	**₱295,796,763**	₱257,881,103

The Bank entered into lease agreements with third parties.

The rollforward analysis of lease liabilities follows:

	2024	2023
Lease liabilities, beginning	**₱722,844,118**	₱801,288,178
Payments	**(241,524,070)**	(201,489,398)
Interest expense	**62,662,384**	58,744,678
Net additions	**212,025,781**	64,300,660
Lease liabilities, ending	**₱756,008,213**	₱722,844,118

Shown below is the maturity analysis of the undiscounted lease payments:

	2024	2023
Within one year	**₱204,100,229**	₱232,881,547
More than 1 years to 2 years	**140,227,242**	190,634,833
More than 2 years to 3 years	**116,968,963**	137,679,560
More than 3 years to 5 years	**158,154,494**	151,091,976
More than 5 years	**412,371,228**	968,420,583
	₱1,031,822,156	₱1,680,708,499

The Bank leases the premises occupied by its head office and branches for periods ranging from 2 to 25 years and are renewable upon mutual agreement of both parties under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5.00%. Rent expense charged against current operations (included under 'Occupancy' in the statements of income) amounted to ₱89.1 million and ₱95.9 million for the years ended December 31, 2024 and 2023, respectively.

25. Income and Other Taxes

Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of documentary stamp tax and gross receipts tax (GRT).

Income taxes include corporate income tax and FCDU final taxes, as discussed below, and final tax paid at the rate of 20.00% on gross interest income from government securities and other deposit substitutes. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for (benefit from) income tax' in the statements of income.

RA No. 9337, An Act Amending the National Internal Revenue Code, provides that the RCIT rate shall be 30.00% and interest expense allowed as deductible expense shall be reduced by 33.00% of the interest income subject to final income tax.

An MCIT of 2.00% on modified gross income is computed and compared with the RCIT. Any excess of MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the date of inception.

RA No. 9294 exempts from income tax the income derived by the FCDU from foreign currency transactions with nonresidents, offshore banking units (OBUs) and local commercial banks including branches of foreign banks authorized by the BSP to transact business with FCDUs and other depository banks under the expanded foreign currency deposit system. Interest income on foreign currency-denominated loans by the FCDUs to residents other than OBUs or other depository banks under the expanded system is subject to 10.00% gross income tax. In addition, interest income on deposit placements with other FCDUs and OBUs is taxed at either 7.50% or 15.00%, while all other income of the FCDU is subject to the 30.00% corporate income tax.

Provision for income tax consists of:

	2024	2023
Current:		
Final	**₱289,884,398**	₱330,283,153
MCIT	**64,313,741**	43,695,845
	354,198,139	373,978,998
Deferred	**113,724,180**	160,130,484
	₱467,922,319	₱534,109,482

The details of net deferred tax assets follow:

	2024	2023
Deferred tax asset on:		
Allowance for impairment and credit losses	**₱839,082,942**	₱739,199,712
Accumulated depreciation on investment and chattel properties	**86,911,888**	161,316,647
Provisions and accruals	**142,078,081**	159,210,366
Retirement liability and unamortized past service cost	**105,127,494**	112,119,397
Excess of MCIT over RCIT	**140,593,686**	76,279,945
Lease liability net of right-of-use assets	**30,422,173**	38,752,432
NOLCO	**–**	22,627,636
Fair value loss on HFT investments	**3,783,009**	18,172,677
Fair value loss on FVOCI investments	**3,352,048**	1,927,500
	1,351,351,321	1,329,606,312
Deferred tax liability on:		
Fair value of investment properties and chattel properties	**212,013,999**	172,830,368
Unrealized foreign exchange gain	**133,216,164**	36,930,606
	345,230,163	209,760,974
	₱1,006,121,158	₱1,119,845,338

Provision for (benefit from) deferred income tax recognized directly against OCI for the years ended December 31, 2024 and 2023 amounted to ₱14.2 million million and ₱16.4 million, respectively.

As of December 31, 2024 and 2023, the Bank did not recognize deferred tax assets on the following unused tax losses and temporary differences since the management believes that it is not probable that the related tax benefits will be realized in the future.

	2024	2023
NOLCO	**₱2,874,334,723**	₱1,261,895,880
Allowance for impairment and credit losses	**2,768,151**	41,464,020
	₱2,877,102,874	₱1,303,359,900

The Bank's excess MCIT over RCIT which can be utilized against annual income tax payable are as follows:

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2022	₱35,820,153	₱–	₱35,820,153	2025
2023	40,459,792	–	₱40,459,792	2026
2024	64,313,741	–	64,313,741	2027
	₱140,593,686	₱–	₱140,593,686	

The Bank's NOLCO with its corresponding year of expiry are as follows:

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2022	₱9,621,088	₱–	₱9,621,088	2025
2023	1,342,796,335	–	1,342,796,335	2026
2024	1,521,917,300	–	1,521,917,300	2027
	₱2,874,334,723	₱–	₱2,874,334,723	

Reconciliation between the statutory income tax rate and the effective income tax rate follows:

	2024	2023
Statutory income tax rate	**25.00%**	25.00%
Tax effects of:		
Tax-exempt income and income subjected to final tax	**(219.11)**	(9.82)
Nondeductible expenses	**100.37**	69.64
Change in unrecognized deferred tax assets	**77.93**	–
FCDU income before income tax	**(26.88)**	(4.75)
Effective income tax rate	**(92.69%)**	80.07%

26. **Trust Operations**

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for clients and beneficiaries are not included in the accompanying statements of financial position since these are not assets of the Bank.

In connection with the trust business of the Bank, government securities with total face value of ₱141.0 million and ₱120.0 million as of December 31, 2024 and 2023 under 'Financial Assets at Fair Value Through Other Comprehensive Income' account are deposited with the BSP in compliance with the requirements of the General Banking Law.

27. Commitments and Contingent Liabilities

In the normal course of the Bank's operations, there are outstanding commitments and other contingent liabilities which are not reflected in the accompanying financial statements. The Bank does not anticipate material losses from these commitments and contingent liabilities.

28. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subject to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities.

The Bank has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

Transactions with Retirement Plan

The retirement fund of the Bank's employees with fair value amounting to ₱259.2 million and ₱245.2 million as of December 31, 2024 and 2023, respectively, is being managed by the Bank's Trust Department. The transaction was made substantially on the same terms as with other individuals and businesses of comparable risks. Other than deposits with the Bank and trust fees, there were no other material transactions between the retirement fund and the Bank in 2024 and 2023. Deposits with the Bank amounted ₱14.7 million and ₱33.3 million in December 31, 2024 and 2023, respectively. The Bank earned ₱2.8 million and ₱3.0 million of trust fees for the years ended December 31, 2024 and 2023, respectively.

Refer to Note 20 for the details of the assets and investments of the retirement fund. The retirement fund of the Bank does not have investments in the shares of stock of the Bank.

Remuneration of Directors and Other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24.

Compensation of key management personnel included under 'Compensation and fringe benefits' in the statements of income follows:

	2024	2023
Salaries and other short-term benefits	**₱112,194,009**	₱101,760,039
Post-employment benefits	**9,658,612**	9,591,395
	₱121,852,621	₱111,351,434

Other Related Party Transactions

Other related party transactions entered in the normal course of business were primarily regular banking transactions. The Bank settles its related party transactions in cash. The significant year-end account balances with respect to related parties included in the financial statements follow:

	Outstanding Balance /Volume		
	2024	2023	**Nature, Terms and Conditions**
Parent Company			
Due from other banks	**₱52,092,610**	₱50,919,727	Foreign currency demand deposit accounts, non-interest bearing and no impairment
Accounts receivable	**186,953,364**	23,183,384	Receivables related to the PPI Dacion (Note 9), for various administrative expenses, due on demand, non-interest bearing, unsecured and no impairment
Deposit liabilities	**2,792,774,639**	2,621,814,346	Savings, demand and time deposits
Bills payable	**14,808,320,000**	13,953,240,000	Short-term foreign currency borrowings
Net (settled) availment	**855,080,000**	6,983,865,000	
Accrued interest payable	**16,942,158**	19,473,629	Accrued interest expense on bills payable, subordinated loan and interest rate swaps
Interest expense	**575,590,068**	619,586,555	Interest expense on interest rate swaps, bills payable, subordinated loan and deposit liabilities
Other related parties			
Accounts receivable	**150,276,600**	151,672,301	Receivable subject to interest rate based on one-month BVAL plus 1%, with a maturity of 10 years secured by deposit hold-out and no impairment. Also includes various administrative expenses
Deposit liabilities	**1,062,759,826**	1,031,175,991	Savings, demand, and time deposits
Accrued interest payable	**3,945**	3,269	Accrued interest expense on time deposits
Interest expense	**8,062,466**	14,575,455	Interest expense on interest rate swaps, bills payable and deposit liabilities
Service charges, fees and commissions	**99,750,179**	75,132,310	Transaction fees from various services rendered including bancasurrance fees
IT expenses	**83,896,865**	72,157,755	IT Support Services received from MSS
Accrued expenses	**5,906,256**	28,265,528	
Employee benefits	**41,336,464**	35,338,688	Life and medical insurance premiums for bank employees
Retirement fund of the Bank			
Deposit with the Bank	**14,712,675**	33,321,916	This deposit earns annual fixed interest rates ranging from 0.25% to 3.25%.
Interest income	**207,608**	557,855	

Other related parties are other companies owned and controlled by the Bank's Parent Company.

Service fee income
On December 15, 2010, the Bank entered into an agreement with Maybank International Labuan Limited (MILL) whereby the Bank shall perform account management in its favor. This will include the conduct of annual review on the account and collection. The Bank shall charge MILL a service fee of 0.30% of the average US$ value of loans and investments booked by MILL per annum beginning July 1, 2010 until such time that the agreement shall be terminated. Service fees earned from MILL amounted to ₱32.88 million and ₱6.6 million for the years ended December 31, 2024 and 2023, respectively.

On December 18, 2016, the Bank entered into a Bancassurance Agreement with Asianlife & General Assurance Corporation *(now Etiqa Life General Assurance Philippines (ELGAP)),* an entity under the common control of the Parent Company, for a period of ten (10) years. On February 10, 2021, the Bank entered into another Bancassurance Agreement with ELGAP for a period of 15 years. Under the Bancassurance Agreements, the Bank shall receive service fees and commissions for acting as ELGAP's distribution channel for its insurance products. Unearned bancassurance income as of December 31, 2024 and 2023 amounted to ₱366.7 million and ₱400.0 million, respectively. In 2024 and 2023, the Bank earned service fees and commissions amounting to ₱66.2 million and ₱67.8 million, respectively.

Life, health and medical insurance
On February 14, 2020, the Bank and ELGAP signed a Memorandum of Agreement (the MOA) designating the latter as the official life and health insurance provider for the Bank's employees and enrolled dependents effective January 1, 2020. In 2024 and 2023, the Bank paid a total insurance premium amounting to ₱41.3 million and ₱35.3 million, respectively.

IT Services
In 2014, MPI signed an agreement with Maybank Shared Services Sdn. Bhd. (MSS) wherein the latter would provide IT support services to MPI which are broadly categorized into IT Back Sourcing, IT Mandays, and Regional Projects or Information Technology Transformation Programme.

29. Offsetting of Financial Assets and Liabilities

The amendments to PFRS 7 require the Bank to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables (amounts in thousands):

Financial Assets

				Effect of remaining rights to set-off (including rights to set-off financial collateral) that do not meet PAS 32 offsetting criteria		
Financial assets recognized at end of reporting period by type	**Gross carrying amounts before offsetting**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in the statements of financial position**	**Financial instruments**	**Fair value of financial collateral**	**Net exposure**
	[a]	[b]	[c] = [a] - [b]	[d]		[e] = [c] - [d]
December 31, 2024						
SPURA	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Derivative assets (Note 17)	**3,302,847**	**3,285,300**	**17,547**	**–**	**–**	**17,547**
	₱3,302,847	**₱3,285,300**	**₱17,547**	**₱–**	**₱–**	**₱17,547**
December 31, 2023						
SPURA	₱10,983,713	₱–	₱10,983,713	₱–	₱10,983,713	₱–
Derivative assets (Note 17)	144,817	126,764	18,053	–	–	–
	₱11,128,530	₱126,764	₱11,001,766	₱–	₱10,983,713	₱–

Financial Liabilities

Financial liability recognized at end of reporting period by type	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in the statements of financial position	Effect of remaining rights to set-off (including rights to set-off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Effect of remaining rights to set-off (including rights to set-off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of financial collateral	Net exposure
	[a]	[b]	[c] = [a] - [b]	[d]		[e] = [c] - [d]
December 31, 2024						
Derivative liabilities (Note 17)	**₱13,151,081**	**₱12,987,672**	**₱163,409**	**₱–**	**₱–**	**₱163,409**
December 31, 2023						
Derivative liabilities (Note 17)	₱200,005	₱116,868	₱83,137	₱–	₱–	₱83,137

30. Notes to Statements of Cash Flows

Non-cash additions to investment properties and other properties acquired in settlement of loans amounted to ₱356.8 million and ₱1,087.4 million , and ₱195.8 million and ₱538.7 million, respectively, for the years ended December 31, 2024 and 2023, respectively.

Changes in liabilities arising from financing activities

	January 1, 2024	**Cash flows**	**Others**	**December 31, 2024**
Bills payable	**₱13,953,240,000**	**₱855,080,000**	**₱–**	**₱14,808,320,000**
Subordinated debt	–	–	–	–
	₱13,953,240,000	**₱855,080,000**	**₱–**	**₱14,808,320,000**

	January 1, 2023	Cash flows	Others	December 31, 2023
Bills payable	₱6,969,375,000	₱6,983,865,000	₱–	₱13,953,240,000
Subordinated debt	–	–	–	–
	₱6,969,375,000	₱6,983,865,000	₱–	₱13,953,240,000

31. Approval for the Release of the Financial Statements

The accompanying financial statements of the Bank were approved and authorized for issue by the BOD on April 25, 2025.

32. Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB)

Presented below is the supplementary information required by BSP under Section 174 of the MORB to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

Basic quantitative indicators of financial performance
The following basic ratios measure the financial performance of the Bank:

	2024	2023
Return on average asset (ROA)	**(0.88%)**	0.13%
Return on average equity (ROE)	**(7.81%)**	1.01%
Net interest margin over average earning assets (NIM)	**3.50%**	4.20%

Description of capital instruments issued
As of December 31, 2024 and 2023, the Bank has two classes of capital stock, preferred and common stock.

Significant credit exposures
The BSP considers that loan concentration exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio. Identified concentration of credit risks are managed and controlled (amounts in thousands).

	December 31, 2024		December 31, 2023	
	Gross Amount	**%**	Gross Amount	%
Real estate activities	**₱19,378,691**	**30.89%**	₱16,162,518	29.32%
Wholesale and retail trade	**8,441,263**	**13.46%**	7,576,507	13.75%
Consumer	**6,468,629**	**10.31%**	7,317,237	13.27%
Transportation and storage	**5,142,504**	**8.20%**	3,971,923	7.21%
Electric, gas, steam and air-conditioning supply	**1,624,074**	**2.59%**	2,775,278	5.03%
Public Administration, Defense, and Compulsory Social Security	**3,273,140**	**5.22%**	2,771,222	5.03%
Information and Communication	**1,107,778**	**1.77%**	2,534,214	4.60%
Human health and social work activities	**1,865,176**	**2.97%**	1,775,524	3.22%
Construction	**2,264,243**	**3.61%**	1,515,671	2.75%
Manufacturing	**1,424,118**	**2.27%**	1,444,961	2.62%
Education	**1,699,334**	**2.71%**	1,435,722	2.60%
Agriculture, forestry and fishing	**1,455,930**	**2.32%**	1,408,325	2.55%
Other service activities	**5,228,950**	**8.34%**	1,390,943	2.52%
Financial and insurance activities	**1,191,175**	**1.90%**	1,080,011	1.96%
Accommodation and food service activities	**1,117,941**	**1.78%**	954,345	1.73%
Water Supply, Sewerage, and Waste Management	**891,795**	**1.42%**	859,997	1.56%
Mining and quarrying	**81,663**	**0.13%**	82,371	0.15%
Arts, Entertainment, and Recreation	**77,712**	**0.12%**	69,112	0.13%
	₱62,734,116	**100.00%**	₱55,125,881	100.00%

Nonperforming loans
BSP Circular No. 941 requires banks to compute their net nonperforming loans (NPLs) by deducting the specific allowance for credit losses on the total loan portfolio from the gross NPLs. The specific allowance for credit losses shall not be deducted from the total loan portfolio in computing the NPL ratio.

NPLs of the Bank are as follows:

	2024	2023
Gross NPLs	**₱2,963,355,423**	₱2,779,433,565
Less: Deductions as required by the BSP	**2,156,231,783**	2,023,137,904
	₱807,123,640	₱756,295,661

According to Section 304 of the MORB, loans are considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and 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 ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

Status of loans
Information on the amounts of performing and non-performing loans (NPLs) and receivables (gross of allowance for impairment and credit losses) of the Bank are as follows:

	2024			2023		
	Performing	**Non-performing**	**Total**	Performing	Non-performing	Total
Loans and discounts						
Corporate lending	**₱5,446,218,313**	**₱1,265,430,957**	**₱6,711,649,270**	₱8,486,465,648	₱1,170,169,352	₱9,656,635,000
Commercial lending	**4,375,125,829**	**588,366,981**	**4,963,492,810**	3,732,051,744	543,931,303	4,275,983,047
Consumer lending						
Auto	**31,377,619,128**	**835,160,824**	**32,212,779,952**	23,666,265,110	808,242,289	24,474,507,399
Housing	**17,081,801,182**	**252,405,171**	**17,334,206,353**	15,482,334,068	239,034,337	15,721,368,405
Others	**1,489,996,114**	**21,991,490**	**1,511,987,604**	979,331,054	18,056,284	997,387,338
	₱59,770,760,566	**₱2,963,355,423**	**₱62,734,115,989**	₱52,346,447,624	₱2,779,433,565	₱55,125,881,189

Loans per security
As of December 31, 2024 and 2023, secured and unsecured NPLs of the Bank are as follows:

	2024	2023
Secured	**₱1,046,030,409**	₱1,352,105,809
Unsecured	**1,917,325,014**	1,427,327,756
	₱2,963,355,423	₱2,779,433,565

The following table shows the breakdown of loans as to secured and unsecured and the breakdown of secured loans as to type of security (amounts in thousands):

	December 31, 2024		December 31, 2023	
	Amount	**%**	Amount	%
Secured by:				
Chattel	**₱28,487,095,284**	**45.41%**	₱20,954,535	38.01%
Real estate	**21,134,205,406**	**33.69%**	18,702,338	33.93%
Deposit hold-out	**791,515,663**	**1.26%**	676,704	1.23%
	50,412,816,353	**80.36%**	40,333,577	73.17%
Unsecured	**12,321,299,636**	**19.64%**	14,792,304	26.83%
	₱62,734,115,989	**100.00%**	₱55,125,881	100.00%

Information on related party loans
In the ordinary course of business, the Bank enters into loans and other transactions with its affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks and are settled in cash.

The amount of individual loans to DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and their respective investments in the Bank. These limits do not apply to loans secured by assets considered as non-risk as defined in the regulations. In the aggregate, loans to DOSRI generally should not exceed the lower of the Bank's total regulatory capital or 15.00% of the total loan portfolio. As of December 31, 2024 and 2023, the Bank is in compliance with these regulatory requirements.

Section 342 of the MORB states that transactions covered for loans to be classified as loans to DOSRI, shall refer to transactions of the Bank which involve the grant of any loan, advance or other credit accommodation in any form whatsoever, whether renewal, extension or increase.

As of December 31, 2024 and 2024, the Bank does not have any outstanding loans to related parties and DOSRI

Secured Liabilities and Assets Pledged as Security
As of December 31, 2024 and 2023, the Bank does not have outstanding secured liabilities and assets pledged as security.

Commitments and contingencies
The following is a summary of contingencies and commitments of the Bank with the equivalent peso contractual amounts:

	2024	2023
Forward exchange sold	**₱23,382,004,423**	₱21,967,082,575
Forward exchange bought	**23,188,492,886**	21,892,423,852
Trust department accounts	**8,458,539,125**	10,414,444,211
Spot exchange bought	**7,142,350,809**	3,833,237,381
Spot exchange sold	**7,140,010,000**	3,832,879,817
Unused credit limits	**5,375,823,383**	2,144,486,989
Unused commercial letters of credit	**1,096,043,591**	988,435,393
Outstanding guarantees	**947,947,458**	898,785,725
Deficiency claims receivable	**968,584,805**	849,781,308
Inward bills for collection	**261,492,571**	772,496,186
Cross interest swap payable	**127,259,000**	121,814,000
Financial futures bought	**375,992,500**	110,740,000
Cross interest swap receivable	**109,297,500**	109,297,500
Financial futures sold	**462,760,000**	83,055,000
Outward bills for collection	**10,830,754**	13,061,705
Late deposits and payments received	**3,168,981**	967,981
Items held for safekeeping	**502,718**	502,801
Items held as collateral	**6,435**	8,693

33. Supplementary Information Required Under Revenue Regulations 15-2010

The BIR issued RR 15-2010, to amend certain provisions of RR 21-2002. The Regulations provide that the notes to the financial statements will include information on taxes and licenses paid or accrued during the taxable year.

To comply with the requirements set forth in RR 15-2010, the Bank reported and/or paid the following types of taxes during the period:

Gross receipts tax (GRT) and Documentary stamp tax (DST)
Under the Philippine tax laws, financial institutions are subject to percentage and other taxes as well as income taxes. Percentage and other taxes paid by the Bank consist principally of GRT and DST.

Other Taxes and Licenses
This includes all other taxes, local and national, including real estate taxes, licenses and permit fees lodged under the 'Taxes and licenses' account in the Bank's statements of income.

For the year ended December 31, 2024, GRT, DST and other taxes and licenses consist of the following:

Gross receipts tax	₱316,936,605
Documentary stamp tax	294,018,737
Local taxes	20,748,289
Real estate taxes	2,947,677
Others	7,149,957
	₱641,801,265

Withholding Taxes
Details of withholding taxes for the year ended December 31, 2024 are as follows:

	Total Amount Remitted
Final withholding taxes	₱464,209,240
Expanded withholding taxes	451,237,472
Withholding taxes on compensation and benefits	261,842,100
	₱1,177,288,812

Tax Assessments and Cases

Taxable year 2018
As of December 31, 2024, the Bank has a pending tax appeal before the Court of Tax Appeals (CTA) of its alleged deficiency tax assessment for taxable year 2018. The Bank received the Final Decision on Disputed Assessment (FDDA) from the BIR on December 19, 2023 indicating the alleged deficiency taxes, inclusive of penalties.

Income tax	₱351,362,820
Gross receipts tax	2,293,050
Expanded withholding tax	5,667,764
Fringe benefits tax	5,353,070
Final withholding tax on interest	15,959,348
Documentary stamp tax	1,296,897,737
Compromise penalties	275,000
	₱1,677,808,789

34. **Supplementary Schedule of External Auditor Fee-Related Information Required Under SEC Memorandum Circular No. 18**

In accordance with the disclosure requirement set forth in Securities and Exchange Commission (SEC) Memorandum Circular 18, Series of 2003, presented is the summary of the aggregate fees billed by the Company's external auditors for the fiscal years ended December 31, 2024 and 2023.

	2024	2023
Total Audit Fees[1]	**₱4,500,000**	₱4,500,000
Non-audit services fee:		
Other assurance services	–	–
Tax services	–	–
All other services	**1,320,219**	–
Total Non-audit Fees[2]	**1,320,219**	–
Total Audit and Non-audit Fees	**₱5,820,219**	₱4,500,000

Audit and Non-audit Fees of Other Related Entities[3]

	2024	2023
Total Audit Fees	**₱1,002,500**	₱1,002,500
Non-audit services fee:		
Other assurance services	–	–
Tax services	–	–
All other services	–	–
Total Non-audit Fees	–	–
Total Audit and Non-audit Fees	**₱1,002,500**	₱1,002,500

Notes:

1. *Disclose agreed fees (excluding out of pocket expenses and VAT) with the external auditor/audit firm and its network firm s (as applicable) for the audit of the covered company's stand alone and/or consolidated financial statements and the covered company's consolidated subsidiaries ' financial statements on which the external auditor/audit firm expresses an opinion. These do not include fees for special purpose audit or review of financial statements.*

2. *Section 2.l b: Disclose charged or billed fees {excluding out of pocket expenses and VAT) by the external auditor/audit firm or a network firm {as applicable) for non-audit services to the covered company and its related entities over which the covered company has direct or indirect control that are consolidated in the financial statements on which the externa l auditor/audit firm expresses an opinion. These include other assurance services such as special purpose audit or review of financial statements.*

3. *Section 2.l c: Disclose fees for services {excluding out of pocket expenses and VAT) charged to any related entities of the covered company over which the covered company has direct or indirect control, which are not yet disclosed in {a) or {b), such as fees for services to any unconsolidated subsidiaries that meet the consolidation exemption criteria of Philippine Financial Reporting Standard {PFRS) 10 applicable to investment entities , if the external auditor/audit firm has reason to believe that these are relevant to the evaluation on of the external auditor/audit firm's independence, as communicated by the external auditor/audit firm with the covered company's Those Charged with Governance or equivalent {e.g., Audit Committee).*