



25 March, 2025

ATTY. SUZY CLAIRE R. SELLEZA
Head - Issuer Compliance and Disclosure Department
Philippine Dealing & Exchange Corp.
29th Floor, BDO Equitable Tower
8751 Paseo de Roxas, Makati City 1226

Re : 2024 Audited Financial Statements and other Financial Statements

Relative to the above subject, we are transmitting herewith the following for Bank of Commerce – 2024 Audited Financial Statements and other Financial Statements as approved by BOD on March 25, 2025.

Please acknowledge receipt hereof.

EVP Antonio S. Laquindanum
Chief Financial Officer

COVER SHEET

SEC Registration No. 2 4 2 2 1

BANK OF COMMERCE

Company's Full Name

SAN MIGUEL PROPERTIES

CENTRE (SMP C)

NO. 7 ST. FRANCIS STREET

MANDALUYONG CITY 1550

Business Address: No. Street City/Town/Province

Janz Hanna Ria N. Serrano

Contact Person

8982-6000

Company Telephone Number

1 2 2 5

Fiscal Year

17-C
Setting of 2025 ASM; Approval of 2024 AFS

Form Type

last Tuesday of May

Month Day
Annual Meeting

Secondary License Type, if applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document ID

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

**CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER**

1. **25 MARCH 2025**
Date of Report (Date of earliest event reported)
2. **24221**
SEC Identification Number
3. **000-440-440-000**
BIR Tax Identification No.
4. **BANK OF COMMERCE**
Exact name of issuer as specified in its charter
5. **METRO MANILA, PHILIPPINES**
Province, country or other jurisdiction of incorporation
6. (SEC Use Only)
Industry Classification Code
7. **SAN MIGUEL PROPERTIES CENTER, NO. 7, ST. FRANCIS ST. MANDALUYONG CITY** **1550**
Address of principal office Postal Code
8. **(02)8982-6000**
Issuer's telephone number, including area code
9. **N/A**
Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Approximate Amount of Debt Outstanding (As of December 31, 2024)
Common	1,403,013,920
Note: Total Outstanding Shares are:	
Common	1,403,013,920
Preferred	416,666,670

11. Indicate the item numbers reported herein: **ITEM 9**

In its March 25, 2025 meeting, the Board of Directors of Bank of Commerce (the "Bank") approved the following items:

A. Date, Time, and Venue of the 2025 Annual Stockholders' Meeting

The Board of Directors approved, as follows:

Date	:	May 27, 2025 (Tuesday)
Time	:	2:00 P.M.
Mode	:	Virtual using Pro Version License Zoom Application and Livestreaming
Stockholders of Record Date	:	May 7, 2025
Submission of Proxies via Electronic Mail Cut-off Date	:	May 21, 2025

The Board of Directors further approved that the Notice of Regular Meeting of Stockholders shall be sent to the stockholders-of-record mentioned above by electronic mail, messaging service, and by publication in the business section of two (2) newspapers of general circulation, in print and online format for two (2) consecutive days on May 5 and 6, 2025, or as soon as the Definitive Information Statement has been approved by the Securities and Exchange Commission to be distributed to the stockholders.

Finally, the Board of Directors approved to allow the stockholders of the Bank to participate and vote through remote communication or in absentia at the Annual Stockholders' Meeting following the requirements and mechanics as well as the timelines in the Notice of Meeting to be duly distributed to the Stockholders.

The proposed Agenda of the Meeting is as follows:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of Annual Stockholders' Meeting held on 30 April 2024
4. Presentation of the Annual Report
5. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
6. Confirmation of Bank's Significant Transactions with its DOSRI and Related Parties
7. Approval of 2024 Performance Bonus for the Directors
8. Election of the Board of Directors
9. Appointment of External Auditor
10. Adjournment

B. 2024 Audited Financial Statements

The Board of Directors likewise approved the 2024 Audited Financial Statements (AFS) of the Bank, as audited by the accounting firm KPMG R.G. Manabat & Co.

A copy of the 2024 AFS as approved is attached hereto; the accuracy of which was affirmed by the Board of Directors and corporate officers.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BANK OF COMMERCE
Issuer

MARCH 25, 2025
Date


EVITA C. CABALLA
Corporate Secretary



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

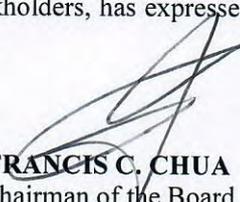
The management of **Bank of Commerce** (the “**Bank**”) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative to do so.

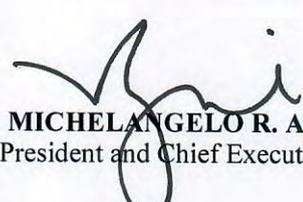
The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

R. G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standard Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



FRANCIS C. CHUA
Chairman of the Board



MICHELANGELO R. AGUILAR
President and Chief Executive Officer



ANTONIO S. LAQUINDANUM
Chief Financial Officer, Finance and Controllershship Group

Signed this 25th day of March 2025

SUBSCRIBED AND SWORN to before me this 25 MAR 2025, affiants exhibiting their Passport ID as follows:

Names	Identification No.	Place of Issue	Valid Until
Francis C. Chua	Senior Citizen ID [REDACTED]	[REDACTED]	N/A
Michelangelo R. Aguilar	Passport No. [REDACTED]	[REDACTED]	[REDACTED]
Antonio S. Laquindanum	Passport No. [REDACTED]	[REDACTED]	[REDACTED]

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Page No. 53
Book No. II
Series of 2025

Renee Aries A. Falcon
RENEE ARIES A. FALCON
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0709-24
UNTIL 31 DECEMBER 2025
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY
TR No. 5717148 / 02 JAN 2025 / MANDALUYONG CITY
IBP OR No. 496306 / 03 JAN 2025
ROLL OF ATTORNEYS NO. 80940

BANK OF COMMERCE

FINANCIAL STATEMENTS

As of December 31, 2024 and 2023 and

For the Years Ended December 31, 2024, 2023 and 2022

With Independent Auditors' Report



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of Commerce (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 each of the three years in the period ended December 31, 2024, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2024 and 2023, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2024, in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our 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.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Allowance for Expected Credit Losses (ECL) for Loans and Receivables

The risk

We considered this as a key audit matter because of the complexity involved in the estimation process and the significant judgments that management makes in assessing the adequacy of allowance for expected credit losses. The key areas of judgment include: segmentation of the Bank's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant increase in credit risk; determining assumptions to be used in the ECL model; and incorporating forward-looking information in calculating ECL.

As at December 31, 2024, loans and receivables amounted to P139.37 billion, with corresponding allowances of P2.87 billion. Provision for credit and impairment losses in 2024 amounted to P139.41 million. The disclosures in relation to the allowance for credit losses are included in Notes 12 and 17 of the financial statements.

Our response

We obtained an understanding of the Bank's ECL methodologies and models for loans and receivables, as approved by the Credit Committee and the Board of Directors, and evaluated whether those are (a) established and implemented consistently in accordance with the underlying principles of PFRS 9, *Financial Instruments*; (b) appropriate in the context of the Bank's lending activities and asset portfolio; and (c) supported with processes and controls including documentations that capture in sufficient detail the judgment and estimation applied in the development of the ECL model.

We have performed the following procedures to address the risk of material misstatement relating to the adequacy of allowance for impairment of loans and receivables:

- We evaluated the governance over the development, validation and approval of the ECL model including continuous reassessment performed by the Bank;
- We assessed the design and implementation and tested the operating effectiveness of key controls in the ECL process. This includes review of loan data input to source system, review of system configuration on aging of loans, review and approval process over the determination of loan risk rating, assessment of credit quality of loans and receivables relative to the established internal credit risk rating system, approval of restructured loans, review of underlying collateral valuation, and the calculation and recognition of the ECL allowance. Our assessment included the involvement of our internal IT specialist.
- We assessed whether the loans are classified to the appropriate stage, and challenged the criteria used to categorize the loan to respective stages;



- On a sample basis, we performed an independent credit review in order to evaluate the appropriateness and adequacy of the risk rating, application of the definition of significant increase in credit risk, staging of loans and credit review processes done by the Bank including its documentation. Accounts selected for review were based on a set of criteria designed to capture the items with high risk of material misstatement in the Bank's loan portfolios;
- We assessed the key assumptions in the ECL models such as the probability of default, loss given default and exposure at default built from historical data. Our assessment included the involvement of our internal financial risk management specialist;
- For forward-looking information used, we evaluated whether the historical and projected macro-economic factors were appropriate and sufficient. This included assessing the level of significance of the correlation of the forward-looking information to the default rates, as well as the impact of these variables in the ECL. We also reviewed management's use of expert credit judgment on the assessment of other macroeconomic factors as inputs in the ECL models;
- We assessed the completeness and accuracy of data inputs in the ECL models and in the ECL calculation by comparing them with the information obtained from source systems;
- We have assessed the accuracy and reasonableness of the outputs of the ECL models through independent recalculation; and
- We have assessed the appropriateness and adequacy of the disclosures made in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and determine whether the other information needs to be revised.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on the Supplementary Information Required under Section 174 and Appendix 55 of the Manual of Regulations for Banks

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 and Appendix 55 of the Manual of Regulations for Banks in Note 38 to the financial statements is presented for purposes of filing with the BSP and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Bank. 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.

The engagement partner on the audit resulting in this independent auditors' report is Vanessa P. Macamos.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS

Partner

CPA License No. 0102309

BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements*

Tax Identification No. 920-961-311

BIR Accreditation No. 08-001987-038-2022

Issued June 27, 2022; valid until June 26, 2025

PTR No. MKT 10467183

Issued January 2, 2025 at Makati City

**Renewal of accreditation in progress. Partner still qualified to audit of 2024 FS per BSP Circular No. 1210 Series of 2025, Revised Framework for Selecting External Auditors*

March 25, 2025

Makati City, Metro Manila

BANK OF COMMERCE
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2024	2023
ASSETS			
Cash and Other Cash Items		P4,244,123,801	P3,500,645,345
Due from Bangko Sentral ng Pilipinas	18	47,913,456,924	24,271,918,477
Due from Other Banks		3,819,385,135	1,055,354,600
Interbank Loans Receivable and Securities Purchased under Resale Agreements	8	3,587,364,728	20,111,780,623
Financial Assets at Fair Value through Profit or Loss	9	2,875,633,794	398,792,440
Financial Assets at Fair Value through Other Comprehensive Income	10	19,078,633,835	11,043,804,828
Investment Securities at Amortized Cost	11	36,611,668,381	52,471,103,294
Loans and Receivables	12	136,505,340,381	109,566,176,319
Investment in an Associate	13	34,432,505	35,533,764
Property, Equipment and Right-of-Use Assets	14	2,000,100,022	1,791,195,950
Investment Properties	15	3,992,770,160	3,676,126,498
Deferred Tax Assets	32	447,020,544	475,332,923
Other Assets	16	4,330,136,845	3,270,214,009
		P265,440,067,055	P231,667,979,070
LIABILITIES AND EQUITY			
Deposit Liabilities	18		
Demand		P63,961,971,799	P54,569,494,343
Savings		125,100,493,087	109,667,913,265
Time		17,916,072,997	16,638,541,473
Long-term negotiable certificates		5,029,420,000	5,029,420,000
		212,007,957,883	185,905,369,081
Financial Liabilities at Fair Value through Profit or Loss	9	45,214,075	6,201,649
Bonds Payable	20	6,534,447,698	7,478,265,064
Manager's Checks		1,414,092,221	1,846,499,855
Accrued Interest, Taxes and Other Expenses	21	1,098,193,220	1,387,189,325
Other Liabilities	22	11,110,094,707	4,193,181,203
Total Liabilities		232,209,999,804	200,816,706,177
Equity			
Capital stock	24	18,196,805,900	18,196,805,900
Paid-in surplus	24	7,229,275,360	7,229,275,360
Surplus reserves	25	1,169,045,556	1,095,004,461
Retained earnings	24	7,501,642,690	5,123,378,774
Net unrealized losses on financial assets at fair value through other comprehensive income	10	(534,761,685)	(421,192,531)
Remeasurement losses on retirement liability	29	(331,673,141)	(365,718,897)
Share in other comprehensive loss of an associate	13	(5,028,412)	(4,537,968)
Cumulative translation adjustment		4,760,983	(1,742,206)
Total Equity		33,230,067,251	30,851,272,893
		P265,440,067,055	P231,667,979,070

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF INCOME

		Years Ended December 31		
	<i>Note</i>	2024	2023	2022
INTEREST INCOME				
Interest income calculated using the effective interest method:				
Loans and receivables	12	P9,428,536,340	P8,244,672,503	P5,465,228,886
Investment securities at fair value through other comprehensive income and at amortized cost	26	2,686,906,199	2,247,720,169	1,681,784,534
Interbank loans receivable and securities purchased under resale agreements	8	542,047,978	875,706,076	539,158,895
Due from Bangko Sentral ng Pilipinas and other banks	18	379,439,699	372,909,945	274,855,345
Other interest income:				
Financial assets at fair value through profit or loss	26	126,909,743	21,561,207	4,603,469
		13,163,839,959	11,762,569,900	7,965,631,129
INTEREST EXPENSE				
Deposit liabilities	18	3,465,676,029	2,971,181,154	1,034,350,259
Bonds payable	20	532,933,869	412,986,306	173,783,546
Lease liabilities	30	39,167,445	32,817,258	28,177,821
Bills payable and other borrowings	19	15,132,871	49,098,268	47,041,557
		4,052,910,214	3,466,082,986	1,283,353,183
NET INTEREST INCOME		9,110,929,745	8,296,486,914	6,682,277,946
Service charges, fees and commissions				
	27	1,074,763,874	886,379,485	857,631,877
Gains on foreclosure and sale of property and equipment and foreclosed assets - net				
	14, 15, 16	341,527,134	495,400,228	340,449,070
Foreign exchange gains - net				
		127,618,245	141,121,355	150,319,774
Trading and investment securities gains (losses) - net				
	28	(1,040,119)	10,598,350	(29,216,561)
Miscellaneous	31	102,575,019	145,276,382	115,179,381
TOTAL OPERATING INCOME		10,756,373,898	9,975,262,714	8,116,641,487
Compensation and fringe benefits				
	29	2,636,796,103	2,258,396,096	1,904,811,525
Taxes and licenses				
	32	1,094,552,944	1,063,031,768	947,182,470
Depreciation and amortization				
	14, 15, 16	623,167,231	489,379,046	431,663,464
Rent and utilities				
	30	622,696,361	647,697,989	631,549,967
Service fees and commissions				
	27	495,120,304	417,924,021	293,329,555
Insurance				
	18	383,986,220	345,083,471	348,354,755
Provision for credit and impairment losses				
	17	139,412,219	78,844,599	166,210,318
Subscription fees				
		106,359,193	188,452,835	122,534,992
Management and professional fees				
		97,913,772	140,883,712	108,572,826
Amortization of software costs				
	16	95,597,821	76,741,228	73,068,105
Entertainment and recreation				
		19,367,927	12,142,020	76,226,795
Miscellaneous	31	498,085,582	519,792,983	546,579,681
TOTAL OPERATING EXPENSES		6,813,055,677	6,238,369,768	5,650,084,453

Forward

		Years Ended December 31		
	<i>Note</i>	2024	2023	2022
INCOME BEFORE SHARE IN NET LOSS OF AN ASSOCIATE AND INCOME TAX EXPENSE		P3,943,318,221	P3,736,892,946	P2,466,557,034
SHARE IN NET LOSS OF AN ASSOCIATE	13	610,815	782,580	133,185
INCOME BEFORE INCOME TAX EXPENSE		3,942,707,406	3,736,110,366	2,466,423,849
INCOME TAX EXPENSE	32	917,768,296	933,891,191	666,355,249
NET INCOME		P3,024,939,110	P2,802,219,175	P1,800,068,600
Earnings Per Share Attributable to Equity Holders of the Bank	36			
Basic		P1.98	P1.86	P1.24
Diluted		1.66	1.54	1.03

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2024	2023	2022
NET INCOME		P3,024,939,110	P2,802,219,175	P1,800,068,600
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not be reclassified to profit or loss				
Net change in remeasurement losses on retirement liability	29	34,045,756	(287,995,697)	184,824,187
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)	10	28,054,000	15,857,461	4,413,992
		62,099,756	(272,138,236)	189,238,179
Items that may be reclassified to profit or loss				
Net change in fair value of debt securities at FVOCI	10	(57,697,078)	308,408,749	(578,936,156)
Net movement in cumulative translation adjustment		6,503,189	(7,621,159)	(1,131,861)
Net change in fair value of debt securities at FVOCI taken to profit or loss	10	(1,623,076)	(6,964,361)	-
Share in other comprehensive loss of an associate	13	(490,444)	(3,206,283)	(5,777)
		(53,307,409)	290,616,946	(580,073,794)
		8,792,347	18,478,710	(390,835,615)
TOTAL COMPREHENSIVE INCOME		P3,033,731,457	P2,820,697,885	P1,409,232,985

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	<i>Note</i>	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Note 24)	Remeasurement Losses on Retirement Liability (Note 29)	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 13)	Total Equity
Balance as at December 31, 2023		P18,196,805,900	P7,229,275,360	P1,095,004,461	P5,123,378,774	(P365,718,897)	(P421,192,531)	(P1,742,206)	(P4,537,968)	P30,851,272,893
Net income for the year		-	-	-	3,024,939,110	-	-	-	-	3,024,939,110
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		-	-	-	-	34,045,756	-	-	-	34,045,756
Net change in fair value of equity securities at FVOCI		-	-	-	-	-	28,054,000	-	-	28,054,000
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	(57,697,078)	-	-	(57,697,078)
Net movement in cumulative translation adjustment		-	-	-	-	-	-	6,503,189	-	6,503,189
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	(1,623,076)	-	-	(1,623,076)
Share in other comprehensive loss of an associate		-	-	-	-	-	-	(490,444)	-	(490,444)
Total comprehensive income for the year		-	-	-	3,024,939,110	34,045,756	(31,266,154)	6,503,189	(490,444)	3,033,731,457
Cash dividends	24	-	-	-	(654,937,099)	-	-	-	-	(654,937,099)
Transactions within equity:										
Transfer to surplus reserves	25	-	-	74,041,095	(74,041,095)	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	82,303,000	-	(82,303,000)	-	-	-
		-	-	74,041,095	(646,675,194)	-	(82,303,000)	-	-	(654,937,099)
Balance as at December 31, 2024		P18,196,805,900	P7,229,275,360	P1,169,045,556	P7,501,642,690	(P331,673,141)	(P534,761,685)	P4,760,983	(P5,028,412)	P33,230,067,251

Forward

Years Ended December 31

	<i>Note</i>	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Note 24)	Remeasurement Losses on Retirement Liability (Note 29)	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 13)	Total Equity
Balance as at December 31, 2022		P18,196,805,900	P7,229,275,360	P983,407,496	P2,425,229,109	(P77,723,200)	(P730,966,925)	P5,878,953	(P1,331,685)	P28,030,575,008
Net income for the year		-	-	-	2,802,219,175	-	-	-	-	2,802,219,175
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		-	-	-	-	(287,995,697)	-	-	-	(287,995,697)
Net change in fair value of equity securities at FVOCI		-	-	-	-	-	15,857,461	-	-	15,857,461
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	308,408,749	-	-	308,408,749
Net movement in cumulative translation adjustment		-	-	-	-	-	-	(7,621,159)	-	(7,621,159)
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	(6,964,361)	-	-	(6,964,361)
Share in other comprehensive loss of an associate		-	-	-	-	-	-	-	(3,206,283)	(3,206,283)
Total comprehensive income for the year		-	-	-	2,802,219,175	(287,995,697)	317,301,849	(7,621,159)	(3,206,283)	2,820,697,885
Transactions within equity:										
Transfer to surplus reserves	25	-	-	111,596,965	(111,596,965)	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	7,527,455	-	(7,527,455)	-	-	-
		-	-	111,596,965	(104,069,510)	-	(7,527,455)	-	-	-
Balance as at December 31, 2023		P18,196,805,900	P7,229,275,360	P1,095,004,461	P5,123,378,774	(P365,718,897)	(P421,192,531)	(P1,742,206)	(P4,537,968)	P30,851,272,893

Forward

Years Ended December 31

	<i>Note</i>	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Note 24)	Remeasurement Losses on Retirement Liability (Note 29)	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 13)	Total Equity
Balance as at December 31, 2021		P15,390,777,900	P6,776,694,869	P755,806,267	P852,471,738	(P262,547,387)	(P156,154,761)	P7,010,814	(P1,325,908)	P23,362,733,532
Net income for the year		-	-	-	1,800,068,600	-	-	-	-	1,800,068,600
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		-	-	-	-	184,824,187	-	-	-	184,824,187
Net change in fair value of equity securities at FVOCI		-	-	-	-	-	4,413,992	-	-	4,413,992
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	(578,936,156)	-	-	(578,936,156)
Net movement in cumulative translation adjustment		-	-	-	-	-	-	(1,131,861)	-	(1,131,861)
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	-	-	-	-
Share in other comprehensive loss of an associate		-	-	-	-	-	-	-	(5,777)	(5,777)
Total comprehensive income for the year		-	-	-	1,800,068,600	184,824,187	(574,522,164)	(1,131,861)	(5,777)	1,409,232,985
Issuance of common stock	24	2,806,028,000	452,580,491	-	-	-	-	-	-	3,258,608,491
Transactions within equity:										
Transfer to surplus reserves	25	-	-	227,601,229	(227,601,229)	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	290,000	-	(290,000)	-	-	-
		2,806,028,000	452,580,491	227,601,229	(227,311,229)	-	(290,000)	-	-	3,258,608,491
Balance as at December 31, 2022		P18,196,805,900	P7,229,275,360	P983,407,496	P2,425,229,109	(P77,723,200)	(P730,966,925)	P5,878,953	(P1,331,685)	P28,030,575,008

BANK OF COMMERCE
STATEMENTS OF CASH FLOWS

Years Ended December 31				
	<i>Note</i>	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax expense		P3,942,707,406	P3,736,110,366	P2,466,423,849
Adjustments for:				
Depreciation and amortization	14, 15, 16	623,167,231	489,379,046	431,663,464
Interest expense on bonds payable	20	532,933,869	412,986,306	173,783,546
Gain on foreclosure and sale of property and equipment and foreclosed assets - net	14, 15, 16	(341,527,134)	(495,400,228)	(340,449,070)
Provision for credit and impairment losses	17	139,412,219	78,844,599	166,210,318
Amortization of software costs	16	95,597,821	76,741,228	73,068,105
Interest expense on lease liabilities	30	39,167,445	32,817,258	28,177,821
Gain on sale of financial assets at fair value through other comprehensive income (FVOCI)	28	(1,623,076)	(6,964,361)	-
Unrealized loss (gain) on financial assets at fair value through profit or loss (FVPL)	28	1,017,785	(22,810,265)	(3,032,696)
Share in net loss of an associate	13	610,815	782,580	133,185
Miscellaneous income		(128,563)	-	-
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Interbank loans receivables	8	(138,551,738)	-	-
Financial assets at FVPL		(2,438,846,713)	10,937,613	616,927,329
Loans and receivables		(27,434,228,302)	(4,762,183,490)	(31,013,170,773)
Other assets		(969,092,677)	(478,780,746)	(147,949,840)
Increase (decrease) in:				
Deposit liabilities		26,102,588,802	9,638,129,115	4,553,416,726
Manager's checks		(432,407,634)	1,185,045,941	(290,006,583)
Accrued interest, taxes and other expenses		(309,693,260)	217,489,398	130,239,910
Other liabilities		6,952,726,227	(64,244,233)	1,483,681,802
Net cash generated from (absorbed by) operations		6,363,830,523	10,048,880,127	(21,670,882,907)
Income taxes paid		(857,379,603)	(793,239,655)	(573,609,991)
Net cash provided by (used in) operating activities		5,506,450,920	9,255,640,472	(22,244,492,898)

Forward

Years Ended December 31

	<i>Note</i>	2024	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale or redemption of:				
Investment securities at amortized cost		P114,959,240,576	P84,500,327,600	P59,895,050,000
Financial assets at FVOCI		306,440,323	5,963,068,067	578,775,000
Investment properties		210,303,527	238,440,930	299,555,213
Property and equipment		43,868,326	49,279,179	52,892,081
Additions to:				
Investment securities at amortized cost		(99,097,828,884)	(84,762,807,309)	(69,194,981,330)
Financial assets at FVOCI		(8,370,802,075)	(10,877,648,681)	(1,903,195,601)
Property and equipment	14	(446,281,099)	(466,379,345)	(182,356,128)
Software costs	16	(228,113,759)	(149,908,692)	(100,896,635)
Investment properties		(14,077,138)	(21,025,497)	(4,932,730)
Net cash provided by (used in) investing activities		7,362,749,797	(5,526,653,748)	(10,560,090,130)
CASH FLOWS FROM FINANCING ACTIVITIES				
Settlement of bonds payable	35	(7,500,000,000)	-	-
Issuance of bonds payable	35	6,510,558,574	-	7,427,633,892
Cash dividends paid	24	(654,937,099)	-	-
Payment of interest on bonds	20	(495,836,441)	(376,972,511)	(106,595,991)
Payment of lease liability	35	(248,096,753)	(238,014,973)	(231,255,989)
Issuance of common stock		-	-	3,258,608,491
Net cash provided by (used in) financing activities		(2,388,311,719)	(614,987,484)	10,348,390,403
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS				
		6,524,975	(7,624,444)	(1,082,325)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		10,487,413,973	3,106,374,796	(22,457,274,950)
CASH AND CASH EQUIVALENTS - GROSS AT BEGINNING OF YEAR				
Cash and other cash items		3,500,645,345	2,735,170,691	2,747,780,890
Due from Bangko Sentral ng Pilipinas		24,275,195,629	23,678,666,441	45,373,267,996
Due from other banks		1,055,497,093	1,044,396,366	1,039,596,824
Interbank loans receivable and securities purchased under resale agreements		20,114,496,080	18,381,225,853	19,136,088,591
		48,945,834,147	45,839,459,351	68,296,734,301
CASH AND CASH EQUIVALENTS - GROSS AT END OF YEAR				
Cash and other cash items		4,244,123,801	3,500,645,345	2,735,170,691
Due from Bangko Sentral ng Pilipinas		47,919,926,114	24,275,195,629	23,678,666,441
Due from other banks		3,819,900,855	1,055,497,093	1,044,396,366
Interbank loans receivable and securities purchased under resale agreements		3,449,297,350	20,114,496,080	18,381,225,853
		P59,433,248,120	P48,945,834,147	P45,839,459,351

Forward

					Years Ended December 31		
					2024	2023	2022
CASH FLOWS FROM INTEREST AND DIVIDENDS							
Operating Activities							
Interest received	35	P12,965,794,655	P11,694,840,211	P7,766,592,910			
Interest paid		3,562,029,531	2,883,397,684	978,496,764			
Dividends received	35	P3,855,229	P5,604,161	P1,612,352			
Financing Activities							
Interest paid		P535,003,886	P409,789,769	P135,099,012			
Dividends paid		654,937,099	-	-			

See Notes to the Financial Statements.

BANK OF COMMERCE
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Bank of Commerce (the Bank) is a domestic corporation registered with the Securities and Exchange Commission (SEC) on December 16, 1963. The Bank's shares were listed with the Philippine Stock Exchange, Inc. (PSE) on March 31, 2022, as approved by the SEC on February 15, 2022. The Bangko Sentral ng Pilipinas (BSP) approved the upgrade of the Bank's banking license from commercial bank to universal bank on December 23, 2021. On August 11, 2022, the SEC approved the application of the Bank to act as underwriter of securities engaged in dealing government securities. On October 24, 2022, the Bank received from the BSP the Certificate of Authority to Operate as a Universal Bank dated October 4, 2022. On November 2, 2022, the Bank officially started operations as a universal bank.

The Bank provides services such as deposit products, loans and trade finance, domestic and foreign fund transfers, foreign exchange, credit card and trust services. The Bank's principal place of business is at San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City. The Bank has a total of 140 branches nationwide, including the Head Office, as at December 31, 2024, 2023 and 2022.

San Miguel Properties, Inc. (SMPI) and San Miguel Corporation Retirement Plan (SMCRP) hold 31.91% and 30.84% ownership of the Bank's issued common shares, respectively, as at December 31, 2024 and 2023. Each of these shareholders has significant influence over the Bank. SMC Equivest Corporation holds 100% ownership of the Bank's issued non-voting preferred shares as at December 31, 2024 and 2023.

The Bank's original authority for its banking license was approved under Monetary Board (MB) Resolution No. 1045 dated October 4, 1963 as *The Overseas Bank of Manila*. The Bank received its Foreign Currency Deposit Unit (the "FCDU") license and launched its FCDU operations on September 23, 1983. The Bank received its Expanded FCDU license on March 10, 2010. The Bank was renamed Commercial Bank of Manila, Inc. on October 20, 1980, further renamed Boston Bank of the Philippines on July 27, 1988, and finally, Bank of Commerce on November 28, 1991.

Under Section 11, Corporate Term of the Revised Corporation Code issued on February 23, 2019, a corporation shall have perpetual existence unless its articles of incorporation provides otherwise. On January 30, 2020, the Board of Directors (BOD) approved the Amended Articles of Incorporation to reflect that the Bank's term of existence shall be perpetual. The said amendment was approved by the SEC on June 9, 2020.

The financial statements of the Bank were endorsed by the Audit Committee to BOD for its approval on March 21, 2025. The financial statements were approved and authorized for issue by the BOD on March 25, 2025.

2. Basis of Preparation

Statement of Compliance

These financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards as issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC). PFRS Accounting Standards are based on IFRS Accounting Standards issued by the International Accounting Standards Board (IASB).

The term “IFRS Accounting Standards” is now how the IFRS Foundation refers to IFRS Standards that encompass a set of accounting standards issued by the IASB to distinguish them from IFRS Standards that encompass a set of sustainability disclosure standards that are issued by the International Sustainability Standards Board and are referred to as “IFRS Sustainability Disclosure Standards”. To align with the foregoing update, the FSRSC now refers to the locally adopted standards as “PFRS Accounting Standards” and “PFRS Sustainability Disclosure Standards”, respectively.

PFRS Accounting Standards consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations.

Basis of Measurement

The financial statements of the Bank have been prepared on a historical cost basis, except for the following items:

<u>Items</u>	<u>Measurement Bases</u>
Financial assets and liabilities at fair value through profit or loss (FVPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Lease liability	Present value of remaining lease payments, discounted using the Bank’s incremental borrowing rate
Net retirement liability	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

The financial statements include accounts maintained in the Regular Banking Unit (the RBU) and the FCDU. The functional currency of the RBU and the FCDU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated to their equivalents in PHP as discussed in Note 3. The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

All values are rounded to the nearest peso unless otherwise stated.

Presentation of Financial Statements

The Bank presents its statements of financial position broadly in the order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 23.

3. Material Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the adoption of the following amended standard, which became effective beginning January 1, 2024. Unless otherwise indicated, the adoption of this amended standard did not have an impact on the financials statements of the Bank. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendment to PAS 1, *Presentation of Financial Statements, Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*. The amendment aims to promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

- removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
- clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
- provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and
- clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

Foreign Currency Transactions and Translation

Foreign exchange differences arising from foreign currency transactions and revaluation and translation of foreign currency-denominated assets and liabilities to functional currency are credited to or charged as part of "Foreign exchange gains - net" account in the statements of income, except for differences arising from the re-translations of equity securities at FVOCI which are recognized directly in "Net change in fair value on equity securities at FVOCI" in other comprehensive income (OCI).

The books of accounts of the FCDU of the Bank are maintained in USD with various transactions in foreign currencies. The foreign currency-denominated income and expenses in the books of accounts are translated into their USD equivalent based on the exchange rates prevailing at the time of transaction. The foreign currency-denominated assets and liabilities at the reporting dates are translated into USD using the Banking Association of the Philippines (BAP) closing rate prevailing at the reporting date.

The foreign currency-denominated monetary assets and liabilities in the RBU are translated to PHP based on the BAP closing rate prevailing at the end of the year. Foreign currency-denominated income and expenses are translated to PHP at the exchange rates prevailing at transaction dates. 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.

For reporting purposes, the FCDU income and expenses are translated to their equivalent in PHP based on the BAP weighted average rate (WAR) for the year. The assets and liabilities of the FCDU at the reporting date are translated into PHP using BAP closing rate at the reporting date. The exchange differences arising from translation (i.e., BAP WAR and BAP closing rate) of FCDU accounts to PHP as presentation currency are taken directly to OCI under "Net movement in cumulative translation adjustment" in the statements of comprehensive income. Upon disposal of the FCDU or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statements of comprehensive income is recognized in the statements of income.

Financial Instruments - Initial Recognition

- *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. Deposit liabilities, bills payable, bonds payable, and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

Derivatives are recognized on trade date basis. Trade date is the date when an entity commits itself to purchase or sell an asset. Trade date accounting refers to: (a) the recognition of an asset to be received or the liability to be paid on the trade date, and (b) the derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on trade date.

- *Initial Recognition of Financial Instruments*

All financial instruments, whether financial assets or liabilities, are initially measured at fair value. Except for financial assets and liabilities valued at FVPL, initial measurement includes transaction costs.

Financial Instruments - Classification and Subsequent Measurement

Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification of financial assets at initial recognition depends on 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 flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are for sole payment of principal and interest (SPPI). This assessment is referred to as the SPPI test and is performed at an instrument level.

Business Model Assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level, not on an instrument-by-instrument basis, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- 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 in which those risks are managed;
- how managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If the 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 asset held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

SPPI Test

As part of the Bank's classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (e.g., if there are repayments of principal or amortization of the premium or discount). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset 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 risks 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 solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

The Bank's measurement categories for financial assets are described below:

(i) *Financial Assets at FVPL*

Financial assets at FVPL include financial assets held for trading purposes, financial assets designated upon initial recognition at FVPL or financial assets mandatorily required to be measured at fair value. Equity securities are classified as financial assets at FVPL, unless the Bank designates an equity security that is not held for trading as at FVOCI at initial recognition.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt securities to be classified at amortized cost or at FVOCI, as described in succeeding sections, debt securities may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are initially recognized and subsequently measured at fair value in the statements of financial position, with transaction costs recognized in the statements of income. Gains and losses arising from changes in the fair value of financial assets at FVPL and gains and losses arising from disposals of these securities are recognized under "Trading and investment securities gains (losses) - net" account in the statements of income. Interest earned or incurred is recorded as interest income or interest expense, respectively, while dividend income is recorded under "Miscellaneous income" account in the statements of income when the right to receive payment has been established.

Financial assets at FVPL include government and private debt securities held for trading, derivative instruments and debt securities that do not meet the SPPI test. Most of the Bank's derivative trading activities relate to deals with customers that are normally offset by transactions with other counterparties. The Bank may also take positions with the expectation of profiting from favorable movements in prices, rates or indices. The Bank is a counterparty to derivative contracts, such as currency forwards and warrants.

(ii) *Financial Assets at Amortized Cost*

The Bank measures debt financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset 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. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included under "Interest income" account in the statements of income. Gains and losses are recognized in the statements of income when the financial asset is derecognized, modified or impaired, as well as through the amortization process. The losses arising from expected credit losses (ECL) is recognized under "Provision for credit and impairment losses" account, while reversals of ECL are recognized under "Reversal of credit and impairment losses" account. The two accounts are netted off in the statements of income. The effects of revaluation on foreign-currency denominated financial assets are recognized under "Foreign exchange gains - net" account in the statements of income.

The Bank's financial assets at amortized cost include cash and other cash items (COCI), exclusive of cash on hand, amounts due from BSP and other banks, interbank loans receivable and securities purchased under resale agreements (SPURA), investment securities at amortized cost, loans and receivables from customers, sales contract receivables, unquoted debt securities, accrued interest receivable, accounts receivable and other receivables.

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. As at December 31, 2024 and 2023, the Bank has not made such designation.

(iii) Financial Assets at FVOCI

▪ *Debt Securities*

The Bank measures debt securities at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Debt securities at FVOCI are subsequently measured at fair value with unrealized gains and losses arising from fair valuation recognized in OCI under the "Net unrealized losses on financial assets at FVOCI" account in the equity section of the statements of financial position. Interest income and foreign exchange gains and losses are recognized in the statements of income in the same manner as for financial assets measured at amortized cost. The ECL arising from impairment of such investments are recognized in the statements of income with a corresponding charge to "Provision for credit and impairment losses" account if the resulting ECL is impairment losses and to "Reversal of credit and impairment losses" account if the resulting ECL is reversal of impairment. Other fair value changes to measure the instrument at fair value is recognized in OCI.

Upon derecognition, the cumulative gains or losses previously recognized in OCI are recognized under "Trading and investment securities gains (losses) - net" account in the statements of income.

- *Equity Securities*

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity securities as at FVOCI. Designation as at FVOCI is not permitted if the equity security is held for trading.

Equity securities designated at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in OCI under “Net unrealized losses on financial assets at FVOCI” account in the equity section of the statements of financial position. Dividends earned on holding equity securities designated at FVOCI are recognized in the statements of income as “Miscellaneous income” when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in OCI is reclassified to “Retained earnings” account in the equity section of the statements of financial position. Equity securities designated at FVOCI are not subject to impairment assessment.

The Bank designated all equity securities that are not held for trading as at FVOCI on initial application of PFRS 9, Financial Instruments.

Financial Liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or at FVPL.

Financial liabilities are classified and subsequently measured at amortized cost using the effective interest method, except for financial liabilities measured at FVPL. Financial liabilities measured at FVPL consists of: (a) financial liabilities held-for-trading, including derivative liabilities that are not accounted for as hedging instruments; and (b) financial liabilities designated at fair value through profit or loss.

The Bank may, at initial recognition, irrevocably designate financial liabilities as measured at FVPL.

The Bank’s financial liabilities at amortized cost include deposit liabilities, bills payable, bonds payable, manager’s checks, lease liabilities, accrued interest and other expenses (except accrued employee and other benefits and accrued taxes payable) and other liabilities (except withholding tax payable, retirement liability and ECL on off-balance sheet exposures).

Financial liabilities at FVPL include derivative liabilities held-for-trading arising from cross-currency swap and forward contracts. Similar to derivative assets, any gains or losses arising from changes in fair values of derivative liabilities are taken directly to “Foreign exchange gains - net” account in the statements of income. Derivatives are carried as liabilities when the fair value is negative.

Reclassification of Financial Assets and Liabilities

The Bank can reclassify financial assets if the objective of its business model for managing the financial asset changes. Reclassification of financial assets designated at FVPL or equity securities at FVOCI at initial recognition is not permitted.

A change in the objective of the Bank’s business model will be effected only at the beginning of the next reporting period following the change in the business model.

Financial liabilities are not reclassified.

Modifications of Financial Assets and Financial Liabilities

Financial Assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in the statements of income and expenses as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

To determine whether a modification of a financial asset is substantial or non-substantial, the guidance set out in this policy should be applied. Where it is not clear whether a “substantial modification” has occurred based on the application of this guidance, a 10.0% net present value change (equivalent to the PFRS 9 - test for financial liabilities) should be applied as a backstop.

In some cases, whether or not a modification is substantial will be clear with little or no analysis while in others, a high degree of judgment may be required.

The modification of a financial asset could involve one or both of the following:

- (a) Changes in contractual terms that have a direct impact on the contractual cash flows. For example: changes to limit, tenor (maturity), interest rate, currency, or introduction or removal of features that give rise to cash flows other than payments of principal and interest on the principal amount outstanding;
- (b) Changes in contractual terms that do not have a direct impact on the contractual cash flows. For example: changes in security, collateral or other credit enhancements that change the credit risk associated with the loan.

Based on the Bank's policy, the delineation between substantial and non-substantial modifications should focus on category (a) modifications, specifically changes in credit limit, tenor, currency or SPPI characteristics.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original EIR of the asset and recognizes the resulting adjustment as a modification gain or loss in the statements of income.

For floating-rate financial assets, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such modification is carried out because of the financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

Financial Liabilities

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized in the statements of income. Consideration paid included non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original EIR and the resulting gain or loss is recognized in the statements of income. For floating-rate financial liabilities, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining terms of the modified financial liability by re-computing the EIR on the instrument.

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;
- 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 ownership of the asset; or (b) has neither transferred nor retained the risks and rewards of ownership of the asset but has transferred the 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 ownership 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 original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

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 financial liability 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 in the respective carrying amounts is recognized in the statements of income.

Impairment of Financial Assets

The Bank recognizes ECL for loan and other debt financial assets at amortized cost and at FVOCI, together with loans commitments and financial guarantee contracts. No impairment loss is recognized on equity securities.

Expected Credit Loss Methodology

The Bank measures ECL in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. PFRS 9 requires a loss allowance to be recognized at an amount equal to either the 12-month ECL or lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date.

Staging Assessment

For non-impaired financial instruments:

- Stage 1: Comprised of performing financial instruments which have not experienced SICR since initial recognition or have low credit risk as of reporting date. This stage recognizes a 12-month ECL for the financial instruments categorized under this group.
- Stage 2: Comprised of under-performing financial instruments which have experienced a SICR since initial recognition, but do not have objective evidence of impairment. This stage recognizes a lifetime ECL for the financial instruments categorized under this group.

For credit-impaired financial instruments:

- Stage 3: Comprised of non-performing financial instruments with one or more loss events occurring since the original recognition or assets with objective evidence of impairment at reporting date and matured accounts with outstanding balances. Financial instruments falling within this stage have objective evidence of impairment thus requiring the recognition of lifetime ECL.

Definition of "Default" and "Cure"

The Bank generally classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days, considered non-performing, under litigation or is classified as doubtful or loss. In assessing whether a borrower is in default, the Bank considers indicators that are qualitative (i.e., breach of covenant) and quantitative (i.e., overdue status and non-payment on another obligation of the same borrower/issuer to the Bank). An instrument is considered to be no longer in default (i.e., to have cured) when there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months. This definition is consistent with the definition of non-performing loans (NPL) under Section 304 of the Manual of Regulations for Banks (MORB), *Past Due Accounts and Non-Performing Loans*.

Credit Risk at Initial Recognition

The Bank makes full use of its Internal Credit Risk Rating System (ICRRS) for corporate loans and credit scorecards for consumer loans to determine the credit risk of exposures at initial recognition. The ICRRS is devised to assess the level of risk associated with each borrower using a combination of both quantitative and qualitative factors. Subsequent credit assessments and approvals are also considered in determining the credit risk. On the other hand, credit scorecard is a tool used to evaluate the credit risk associated to individual customers. Customer-specific factors and internal data are taken into consideration to calculate a credit score. The credit decision is based on the output of the credit score and policy rules.

Significant Increase in Credit Risk

The definition of a SICR varies by portfolio where the determination of the change in credit risk includes both the quantitative and qualitative factors.

The Bank applies the movement in its Corporate Loan account's credit risk rating and assessment of breach in watchlist triggers to indicate a possible significant credit downgrade or upgrade through a risk rating matrix. For the remaining portfolios, the Bank considers that a SICR occurs no later than when an asset is more than 30 days past due. The total number of days past due is determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Furthermore, the Bank's internal credit assessment may consider a counterparty to have a SICR since initial recognition if it is identified to have well-defined credit weaknesses. These may include adverse changes in the financial, managerial, economic and/or political nature of a business. Credit weakness can be established by an unsatisfactory track record that merits close monitoring and attention from management.

If there is evidence that there is no longer a SICR relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. For unrated financial instruments, the SICR is measured using the number of days past due which is also consistent with the staging criteria presented above.

ECL Parameters and Methodologies

ECL is a function of the following credit risk parameters:

(a) Probability of Default (PD)

The PD is the measure of likelihood that a borrower will be unable to settle his obligation/s on time and in full over a given time period, either over the next 12 months (12-month PD) or over the remaining life (Lifetime PD) of the loan obligation. The Bank currently uses its ICRRS, behavioral scorecard and other relevant drivers of default to segment exposures with homogenous risk characteristics.

Point-in-Time (PiT) PD calibration is done to reflect the current trends in business and credit cycle. Macroeconomic forecasts are incorporated to come up with PiT PDs that are unbiased and forward-looking projections of future default risk.

(b) Loss Given Default (LGD)

LGD measures the percentage amount of credit losses incurred and not recovered at the time of default. LGD estimation is based on historical cash flow recoveries. Calculation of the LGD is adjusted for some assets to consider cashflow recoveries on collateral. For some financial assets, the Bank supplemented internal assessments with regulatory thresholds to arrive at the LGD assumption.

LGD estimation also considers the present value calculation and cost adjustment in determining the recoveries.

(c) Exposure at Default (EAD)

EAD is defined as the outstanding amount of credit exposure at the time of default. EAD is estimated by modelling the historical data on both the actual drawn and undrawn amounts for each credit facility. When estimating EAD, several factors are taken into account, including the length of time for which the estimation is being made, the predicted cash flows until the point of default, total loan tenure, and the remaining duration of the loan. This provides a more robust estimate of the total amount the Bank is exposed to.

Forward-looking Information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL.

The Bank enhanced its ECL methodology by incorporating multiple future macroeconomic expectations in order to estimate credit losses on the basis of probability-weighted outcomes. The Bank has performed statistical analysis of historical data to determine which macroeconomic variables (MEVs) are correlated with the performance of specific loan portfolios. The MEVs considered were obtained using publicly available sources such as BSP and Philippine Statistical Association. A broad range of forward-looking information are assessed as economic inputs. Based on historical data analysis, the Bank found significant relationships between MEVs and credit risk which vary by product type. Forward looking MEVs used include Remittances, Employment Index & Unemployment, Value of Production Index (VAPI), Loan Performances, Consumer Outlook, Gross Domestic Product (GDP) (Exports and Agriculture), Foreign Exchange rates and Stock Exchange Index. The selected MEVs were confirmed using experienced credit judgment.

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Restructured Loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and the future payments are likely to occur. When the loan has been restructured but not derecognized, the Bank also reassesses whether there has been a SICR and considers whether the assets should be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.

Write-offs

Financial assets are written off either partially or in full when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included under "Miscellaneous income" account in the statements of income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

'Day 1' Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank recognizes the difference between the transaction price and fair value (a 'Day 1' difference) as part of current operations in the period when the asset is acquired or the liability is incurred. In cases where the transaction price used is based on inputs which are not observable, the difference between the transaction price and model value is only recognized as part of current operations in the period 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.

Offsetting

Financial assets and liabilities are offset with the net amount reported in the statements of financial position, if and only if, there is a currently enforceable legal right to offset 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, as the related assets and liabilities are presented gross in the statements of financial position.

As at December 31, 2024 and 2023, the Bank did not have any financial instrument that qualified for offsetting.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include COCI, amounts due from BSP and other banks and interbank loans receivable and SPURA with original maturities of three months or less from dates of placement and that are subject to insignificant risk of changes in value.

COCI consist of cash on hand and checks and other cash items. Cash on hand refers to the total amount of cash in the Bank's vault in the form of notes and coins under the custody of the cashier/cash custodian or treasurer, including notes in the possession of tellers and those kept in automated teller machines (ATMs).

Repurchase and Reverse Repurchase Agreements

Securities sold under repurchase agreements (SSURA) at a specified future date ("repos") are not derecognized from the statements of financial position. The corresponding cash received, including accrued interest, is recognized in the statements of financial position as liability of the Bank, reflecting the economic substance of such transaction.

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

Financial Guarantees and Undrawn Loan Commitments

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 values of undrawn loan commitments, where the loans agreed to be provided are on market terms, are not recorded in the statements of financial position. These contracts are in the scope of the ECL requirements where the Bank estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to loan commitments is recognized under "Other liabilities" account in the statements of financial position.

In the ordinary course of business, the Bank issues financial guarantees in favor of other parties. Financial guarantees are initially recognized in the financial statements at fair value, and the initial fair value is amortized over the life of the financial guarantee in accordance with PFRS 15. The financial guarantee is subsequently carried at the higher of the amount of loss allowance determined in accordance with the ECL model and the amount initially recognized, less when appropriate, the cumulative amount of income recognized in accordance with PFRS 15.

Investment in an Associate

An associate is an entity over which the Bank has significant influence but no control. This is a rebuttable presumption in case the equity interest of the Bank in an entity is between 20.0% and 50.0%. The Bank's equity investment in BIC Management and Consultancy, Inc. (formerly Bancommerce Investment Corporation) (BIC) represents 24.26% of BIC's capital stock. Accordingly, the Bank's equity investment in BIC is treated as an investment in an associate accounted for under the equity method of accounting since there is no indication of control.

Under the equity method, an investment in an associate is carried in the statements of financial position at cost plus post-acquisition changes in the Bank's share in the net assets of the associate. The Bank's share in an associate's post-acquisition profits or losses is recognized in the statements of income, and its share of post-acquisition movements in the associate's equity reserves is recognized directly in equity.

When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits and losses resulting from transactions between the Bank and an associate are eliminated to the extent of the Bank's interest in the associate.

The reporting period of BIC is on a calendar year basis. BIC's accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

Property and Equipment

Land is stated at cost less any impairment in value. Depreciable properties including buildings, furniture, fixtures and equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts and rebates, and any costs that are directly attributable in bringing the property and equipment to its location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put to operation, such as repairs and maintenance, are normally charged against operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in the increase in the future economic benefits 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 an additional cost of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the estimated useful life of the improvements or the terms of the related lease, whichever is shorter.

The estimated useful lives of property and equipment are as follows:

	Years
Building	50
Furniture, fixtures and equipment	1 - 7
Leasehold improvements	5 - 15

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 from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income in the period the asset is derecognized.

The asset's residual values, useful lives and method of depreciation and amortization are reviewed, and adjusted if appropriate, at each reporting date.

Investment Properties

Investment properties are composed of assets acquired from foreclosure or *dacion en pago* and land and building that are vacant and no longer used for administrative purposes (previously owner-occupied property), and are initially measured at cost including transaction costs. An investment property acquired through an exchange transaction is initially recognized at the fair value of the asset acquired unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable, in which case the investment property acquired is measured at the carrying amount of the asset given up. The difference between the fair value of the asset received and the carrying amount of the asset given up is recorded as "Gain on foreclosure" under "Gain on foreclosure and sale of property and equipment and foreclosed assets - net" account in the statements of income. Foreclosed properties are classified under "Investment properties" upon:

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

The Bank applies the cost model in subsequently measuring its investment properties. Land is carried at cost less any impairment in value and depreciable properties acquired are carried at cost. Cost is the fair value of the asset at acquisition date, less any accumulated depreciation and any impairment in value. Transaction costs, which include non-refundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of cost of the investment properties.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or 10 years, whichever is lower. The estimated useful life 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.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or the start of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the start of owner-occupation or of development with a view to sell.

Repairs and maintenance costs relating to investment properties are normally charged to statements of income in the period in which the costs are incurred.

An investment property is derecognized when it has either been disposed of or when it is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on derecognition of an investment property is recognized in the statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

Other Properties Acquired

Other properties acquired, included under "Other assets" account in the statements of financial position, include chattel mortgage properties foreclosed in settlement of loan receivables. The Bank applies the cost model of accounting for these assets. Under the cost model, these assets are carried at cost, which is the fair value at acquisition date, less accumulated depreciation and any impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or three years, whichever is lower. The estimated useful life 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 the other 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 Non-financial Assets).

An item of other properties acquired 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 recognized in the statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

Intangible Assets

Intangible assets consist of software costs and branch licenses. Intangible assets acquired separately, included under "Other assets" account in the statements of financial position, are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses. Internally generated intangible assets are not capitalized but recognized in the statements of income in the period when the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the statements of income under the expense category consistent with the function of the intangible asset. Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statements of income in the period when the asset is derecognized.

Branch Licenses

Branch licenses are granted by the BSP and capitalized on the basis of the costs incurred to acquire and bring to use in operation. Branch licenses are determined to have indefinite useful lives and are tested for impairment annually.

Software Costs

Software costs include costs incurred relative to the purchase of the Bank's software and are amortized on a straight-line basis over 5 years. Software costs are carried at cost less accumulated amortization and any impairment in value.

Impairment of Investment in an Associate and Non-financial Assets

Investment in an Associate, Property, Equipment and Right-of-Use Assets, Investment Properties, Other Properties Acquired and Intangible Assets under "Other Assets"

At each reporting date, the Bank assesses whether there is any indication of impairment on investment in an associate, property, equipment and right-of-use assets, investment properties, other properties acquired and intangible assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of the net recoverable amount.

The net recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its 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 net recoverable amount is assessed as part of the cash-generating unit to which it belongs. Value in use is the present value of future cash flows expected to be derived from an asset or cash-generating unit while fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable and willing parties less any costs of disposal. Where the carrying amount of an asset (or cash-generating unit) exceeds its net recoverable amount, the asset (or cash-generating unit) 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 (or cash-generating unit).

An impairment loss is charged against operations in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that the previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the net 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 net recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its net recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income.

After such 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 useful life.

Fair Value Measurement

The Bank measures financial instruments, such as, financial assets and liabilities at FVPL, financial assets at FVOCI and net retirement liability which is measured at present value of the defined benefit obligation less fair value of plan assets, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 6.

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 best economic interest.

The 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.

Fair Value Hierarchy

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 - inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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.

External appraisers are involved for valuation of significant assets such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. In particular, the external appraisers must hold a recognized and relevant professional qualification and have recent experience in the location and category of the investment property being valued.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in Note 6.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the income can be reliably measured. Revenue is measured at the fair value of the consideration received/receivable.

Determining whether the Bank is acting as a Principal or an Agent

The Bank assesses its revenue arrangements against the following indicators to determine whether it is acting as a principal or an agent:

- whether the Bank has primary responsibility for providing the services;
- whether the Bank has discretion in establishing prices; and
- whether the Bank has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer.

The Bank has determined that it is acting as a principal in its revenue arrangements except for activities where the Bank acts in a fiduciary or custodian capacity such as nominee, trustee, or agent. Income from fiduciary and custodianship activities are included under "Service charges, fees and commission" account in the statements of income.

The following specific recognition criteria must also be met before revenue is recognized:

Revenues Within the Scope of PFRS 15

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

Service Charges and Penalties

Service charges and penalties are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectability. This arises from deposit-related processing transactions and charges from late payments on loans and drawing against insufficient funds of depositors.

Fees and Commissions

(i) Fee Income Earned from Services that are Provided over a Certain Period of Time

Fees earned for the provision of services over a period of time are accrued over that period. These include guarantee fees, credit related fees, investment fund fees, custodian fees, fiduciary fees, portfolio and other management fees. Commitment fees for facilities where a drawdown is not generally expected must be recognized over the facility period. If a drawdown is expected and the commitment expires without the Bank making the loan, the commitment fees are recognized as fee income on expiry of the scheduled drawdown.

(ii) *Fee Income Earned from Providing Transaction Services*

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as underwriting fees and brokerage fees for the arrangement of the acquisition of shares or other securities are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance obligation are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statements of income when the syndication has been completed and the Bank retains no part of the loans for itself or retains a part of the loan at the same EIR as the other participants.

Discounts Earned and Awards Revenue on Credit Cards

Discounts received are taken up as income upon receipt from member establishments of charges arising from credit availments by the Bank's cardholders. These discounts are computed based on certain agreed rates and are deducted from the amounts remitted to the member establishments. These also include interchange income from transactions processed by Mastercard, a card network, and fees from cash advance transactions of cardholders.

The amount allocated to the loyalty program is deferred and recognized as revenue when the award credits expire or the likelihood of the customer redeeming the loyalty points becomes remote. Award credits under customer loyalty program are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated based on the estimated stand-alone selling prices. Income generated from customer loyalty program is included under 'Service charges, fees and commissions' in the statements of income.

Other Income

Income from the sale of services is recognized upon completion of the service. Income from sale of properties is recognized when control over properties transfers to the recipients, measured as the difference between the transaction price and the properties' carrying amounts and presented under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the statements of income.

Revenues Outside the Scope of PFRS 15

Interest Income

Interest income is recognized in the statements of income for all financial assets measured at amortized cost and debt securities at FVOCI as they accrue, using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all the contractual terms of the financial instruments including any fees or incremental costs that are directly attributable to the instrument and are integral part of the EIR, but not future credit losses. The EIR is established on initial recognition of the financial asset and liability and is not revised subsequently, except for repricing loans. The carrying amount of the financial asset or liability is adjusted if the Bank revises its estimates of payments or receipts. The change in carrying amount is recognized in the statements of income as interest income or expense.

Interest on interest-bearing financial assets at FVPL is recognized based on the contractual rate.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in “Impairment of Financial Assets” above), 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.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus a certain percentage of cost. The excess over cost is credited to ‘Unearned discount’ and is shown as a deduction from ‘Loans and receivables’ in the statements of financial position. The unearned discount is taken up to interest income over the installment term and is computed using the effective interest method.

Trading and Investment Securities Gains or Losses

Trading and investment securities gains or losses represent results arising from disposal of debt securities at FVOCI and trading activities (realized gains and losses) and from the changes in fair value of financial assets and liabilities at FVPL (unrealized gains or losses).

Dividends

Dividends are recognized when received or when the Bank’s right to receive the dividends is established.

Rental Income

Payments received under operating lease arrangements are recognized in the statements of income on a straight-line basis over the term of the lease.

Recovery on Charged-off Assets

Income arising from collections on accounts or recoveries from impairment of items previously written off is recognized in the statement of income in the year of recovery.

Expense Recognition

Expense is recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in liability has arisen to the Bank and can be measured reliably.

Interest Expense

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

Other Expenses

Other expenses include losses and expenses that arise in the ordinary course of business of the Bank and are recognized when incurred.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Bank has presented legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits

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 retirement cost is generally funded through payments to a trustee-administered fund, determined by annual actuarial calculations.

The retirement benefits liability recognized in the statements of financial position in respect of the defined benefits retirement plan is the present value of the defined benefits obligation at the valuation date less the fair value of plan assets. The defined benefits obligation is calculated annually by an independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rate on high quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement liability.

Remeasurements of the defined benefit liability, which include actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Bank determines the net interest expense (income) on the retirement benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the retirement benefit liability (asset), taking into account any changes in the retirement liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in the statements of income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statements of income. The Bank recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Equity

"Capital Stock" is recorded at par for all shares issued and outstanding.

"Paid-in Surplus" represents the proceeds in excess of par value. Incremental costs incurred which are directly attributable to the issuance of new shares are charged to *"Paid-in surplus"*.

"Retained Earnings (Deficit)" represents the accumulated earnings (losses) of the Bank.

"Surplus Reserves" represent the appropriation of retained earnings in relation to allowance for credit losses which are less than the 1.0% general provision prescribed by the BSP for regulatory purposes, 10.0% of the Bank's profit from trust business, and self-insurance of the Bank.

Leases

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

Bank as Lessee

At the commencement or upon modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises, the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and any impairment losses, adjusted for certain remeasurements of the lease liability. Cost comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove any improvements made. The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the Bank's incremental borrowing rate.

The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index rate, change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase, extension or termination option is reasonably certain not to be exercised or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents the right-of-use assets in “Property, Equipment and Right-of-Use Assets” while lease liabilities are included under “Other liabilities” in the statements of financial position.

Short-term Leases and Leases of Low-value Assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Bank recognizes the lease payments associated with these leases as a rent expense on a straight-line basis over the lease term.

Bank as a Lessor

At the inception or upon modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Bank is a party to operating leases as a lessor. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as the rental income. Contingent rentals are recognized as income in the period in which they are earned.

Income Tax Expense

Current Tax

Current income tax is the expected tax payable on the taxable income for the year using the tax rates enacted at the reporting date. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

Deferred Tax

Deferred tax is provided 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. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused MCIT 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 assets to be utilized.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the year 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. These reflect uncertainty related to income taxes, if there is any.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

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 resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where 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 charged to current operations, 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 interest expense.

Contingent Assets and Liabilities

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

Related Parties

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

Events After the Reporting Date

Post year-end events that provide additional information about the Bank's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

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.

Amendments to Standards Issued but Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2024. However, the Bank has not early adopted the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements.

Effective January 1, 2025

- *Lack of Exchangeability (Amendments to PAS 21 The Effects of Changes in Foreign Exchange Rates)*. The amendments clarify that a currency is exchangeable into another currency when a company is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

When a currency is not exchangeable, a company needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process, and risks to the company because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. Comparative information is not restated and the effect of initially applying the amendments are adjusted to the opening balance of retained earnings, or to the cumulative amount of translation differences if the company uses a presentation currency other than its functional currency.

Effective January 1, 2026

- *Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 Financial Instruments and PFRS 7 Financial Instruments: Disclosures)*. The amendments relate to the date of recognition and derecognition, classification of financial assets, contractually linked instruments and non-recourse features, and disclosures on investments in equity instruments.

Date of recognition and derecognition. The amendments clarified that:

- a financial asset or financial liability is recognized on the date on which the entity becomes party to the contractual provisions of the instrument unless the regular way exemption applies;
- a financial asset is derecognized on the date on which the contractual rights to cash flows expire or the asset is transferred; and

- a financial liability is derecognized on the settlement date, which is the date on which the liability is extinguished because the obligation specified in the contract is discharged or cancelled or expires or the liability otherwise qualifies for derecognition.

However, the amendments provide an exception for the derecognition of financial liabilities where an entity may choose to derecognize a financial liability that is settled using an electronic payment system before the settlement date if, and only if, the entity has initiated the payment instruction that resulted in:

- the entity having no practical ability to withdraw, stop or cancel the payment instruction;
- the entity having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- the settlement risk associated with the electronic payment system is insignificant.

Entities may choose to apply the exception on a system-by-system basis.

Classification of Financial Assets. The amendments related to classification of financial assets introduces an additional test to assess whether the solely payments of principal and interest (SPPI) criterion is met for financial assets with contingent features that are not related directly to a change in basic lending risks or costs.

The amendments clarified that when a contingent feature gives rise to contractual cash flows that are consistent with a basic lending arrangement both before and after the change in contractual cash flows, but the nature of the contingent event itself does not relate directly to changes in basic lending risks and costs, the financial asset has contractual cash flows that are SPPI if, and only if, in all contractually possible scenarios, the contractual cash flows would not be significantly different from the contractual cash flows on a financial instrument with identical contractual terms, but without such a contingent feature.

Additional disclosures are required for all financial assets and financial liabilities that have certain contingent features that are not related directly to a change in basic lending risks or costs and are not measured at fair value through profit or loss.

Contractually Linked Instruments and Non-recourse Features. The amendments clarify the key characteristics of contractually linked instruments (CLIs) and how they differ from financial assets with non-recourse features. The amendments also include factors that a company needs to consider when assessing the cash flows underlying a financial asset with non-recourse features (the 'look through' test). For example, it clarifies that a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets; that CLIs have non-recourse features, but not all financial assets with non-recourse features are CLIs; and that the underlying pool of instruments of CLIs may include financial assets outside the scope of IFRS 9.

Disclosures on investments in equity instruments. The amendments require additional disclosures for investments in equity instruments that are measured at fair value with gains or losses presented in other comprehensive income (FVOCI). The entity discloses for each class of investment the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss related to investments derecognized during the reporting period and the fair value gain or loss related to investments held at the end of the reporting period. It also discloses any transfers of the cumulative gain or loss within equity during the reporting period related to investments derecognized during that reporting period.

The amendments apply for reporting periods beginning on or after January 1, 2026. Earlier application is permitted. Entities may choose to early-adopt the amendments for the recognition and derecognition of financial assets and financial liabilities separately from the other amendments.

- *Gain or Loss on Derecognition (Amendments to PFRS 7 Financial Instruments: Disclosure).* The amendments replaced the reference to 'inputs that were not based on observable market data' in the obsolete paragraph 27A of PFRS 7, with reference to 'unobservable inputs' in paragraphs 72-73 of PFRS 13 Fair Value Measurement.
- *Introduction, Disclosure of Difference Between Fair Value and Transaction Price, and Credit Risk Disclosures (Amendments to Guidance on implementing PFRS 7 Financial Instruments: Disclosure).* The amendments:
 - clarified that the Guidance on implementing PFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of PFRS 7;
 - made the wordings on the disclosure of deferred difference between fair value and transaction price in paragraph IG14 of PFRS 7 consistent with the requirements in paragraph 28 of PFRS 7 and with the concepts in PFRS 9 Financial Instruments and PFRS 13 Fair Value Measurement; and
 - simplified the wordings on credit risk disclosures in paragraph IG20B that the illustration does not include financial assets that are purchased or originated credit impaired.
- *Derecognition of Lease Liabilities and Transaction Price (Amendments to PFRS 9 Financial Instruments).* The amendments:
 - added a cross-reference to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee applies the requirement that the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss; and
 - replaced the term 'their transaction price (as defined in IFRS 15)' with 'the amount determined by applying IFRS 15' because a receivable might be initially measured at an amount that differs from the transaction price recognized as revenue, for example, when you recognize full amount for consideration that's unconditionally receivable but at the same time recognize expected refund liability with respect to retrospective rebates. Consequently, the definition of the transaction price has been deleted.

- *Cost Method (Amendments to PAS 7 Statement of Cash Flows)*. The amendments replaced the term 'cost method' with 'at cost' given the definition of 'cost method' has previously been removed from PFRS Accounting Standards.

The amendments apply for annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted. The amendment on derecognition of lease liabilities applies only to lease liabilities extinguished on or after the beginning of the annual reporting period in which the amendment is first applied.

Effective January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements* will replace PAS 1 *Presentation of Financial Statements* and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements:
 - Entities are required to classify all income and expenses into five categories in the statement of income: operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
 - Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
 - Enhanced guidance on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Bank is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Bank's statement of income, the statement of cash flows and the additional disclosures required for MPMs. The Bank is also assessing the impact on how information is grouped in the financial statements, including for items currently labeled as "other".

4. Critical Judgments and Estimates

The preparation of financial statements in conformity with PFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses, and disclosures of contingent assets and contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant Judgments

In the process of applying the Bank's accounting policies, management has made the following significant judgments, apart from those involving estimations, which may have the most significant effect on amounts recognized in the financial statements:

a) *Leases*

Bank as Lessee

The Bank leases properties, land and buildings for the premises it uses for its operations.

The Bank recognizes right-of-use assets and lease liabilities for most leases - on-balance sheet leases. However, the Bank has elected not to recognize right-of-use assets and lease liabilities for leases involving assets of low value. The same policy is likewise applied for short-term leases. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Significant judgment is exercised by the Bank in determining the discount rate to be used in calculating the present value of right-of-use assets and lease liabilities. The discount rate is represented by the incremental borrowing rate which is Bloomberg Valuation (BVAL) rate and credit spread as determined by the Bank.

The carrying amounts of right-of-use assets and lease liabilities are disclosed in Notes 14 and 22, respectively.

Bank as Lessor

The Bank has entered into commercial property lease agreements for its property and equipment, and investment properties. The Bank has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out under operating lease agreements.

In determining whether or not a lease should be treated as an operating lease, the retention of ownership title to the leased property, period of lease contract relative to the estimated economic useful life of the leased property and bearer of executory costs, among others, are considered.

b) *Business Model Assessment*

The Bank manages its financial assets based on the 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, while maintaining a strategic portfolio of financial assets for investing and trading activities consistent with its risk appetite.

The Bank developed business models which reflect how it manages its portfolio of financial instruments. The Bank's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to, taking into consideration the objectives of each business model established by the Bank. The level of aggregation at which the business model is applied is based on the specific activities being undertaken by each business unit of the Bank to achieve its stated objectives and other relevant factors such as risks affecting the business model, key performance indicators in evaluating the business model, and how managers of the business are compensated.

The Bank assesses the performance of each business model by considering the activities undertaken by the business models, placing the appropriate key performance indicators and monitoring the frequency of sales activities. PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers facts and circumstances present to assess whether an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a hold-to-collect business model and whether the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

c) *Testing the Cash Flow Characteristics of Financial Assets*

In determining the classification of financial assets under PFRS 9, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk), i.e., cash flows that are non-SPPI, does not meet the amortized cost and FVOCI criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

d) *Functional Currency*

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Bank considers the following:

- the currency that mainly influences sales prices for financial instruments and services;

- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Based on the economic substance of the underlying circumstance relevant to the Bank, the functional currency of the Bank's RBU book of accounts and FCDU book of accounts have been determined to be PHP and USD, respectively.

PHP and USD are the currencies of the primary economic environment in which the Bank operates. These are the currencies that mainly influence the income and costs arising from the Bank operations.

e) *Provisions and Contingencies*

The Bank, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. Judgment is exercised by management to distinguish between provisions and contingencies (see Note 38).

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(i) *Expected Credit Losses on Financial Assets, Loan Commitments and Financial Guarantees*

The Bank reviews its financial assets at amortized cost and debt securities at FVOCI, loan commitments and financial guarantees to assess the amount of credit losses to be recognized in the statements of financial position at least on an annual basis or more frequently, as deemed necessary. The measurement of ECL under PFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL and the assessment of a SICR. These estimates are driven by a number of factors, changes to which can result in different levels of allowances.

The ECL methodology of the Bank is regularly recalibrated to improve the accuracy of the ECL models using updated data. Significant factors affecting the estimates on the enhanced ECL model include:

- The default and credit impaired financial assets are aligned across all credit portfolios;
- PD segmentation is based on the staging criteria (i.e., delinquency age buckets, internal credit risk ratings and loan status);
- The LGD takes into account post-default relevant information such as cost of recoveries and curing rate. LGD is adjusted to its present value of expected cash flows using risk-adjusted interest rate. The final LGD estimates are pooled by collateral type;
- EAD estimates consider (a) time horizon for which EAD needs to be estimated, (b) projected cash flows until the estimated point of default and (c) remaining loan term;

- The Bank uses three economic scenarios to arrive at probability-weighted ECL estimates. These scenarios represent a most likely outcome (that is, the 'Baseline' or central scenario) and two less likely scenarios on the either side of the central (that is, the 'Optimistic' and 'Pessimistic', respectively). The scenario weights are developed based on the relative frequency distribution of historical GDP data. Both the 'Optimistic' and 'Pessimistic' scenarios reflect the lower and upper levels whereas the 'Baseline' scenario represents the central distribution; and
- The impact of Covid-19 has been appropriately incorporated in the impairment allowance calculation using more recent data. The Bank has updated the macroeconomic expectations in the model to consider the effects of Covid-19 pandemic situation.

In 2023, the Bank recalibrated the ECL framework. Updates on the ECL parameters involved the following:

- The most recent data were applied for PD, LGD and EAD.
- The following information were incorporated in LGD:
 - Recovery information for Corporate & Consumer
 - Collection fees for Auto and Housing
- Additional PD and EAD segmentation were considered.
- Account-level discounting factor was applied.
- The Macroeconomic Factors (MEF) were tested and updated based on the recalibration. The updated MEFs include Remittances, Loan Performances, BVAL rates, VAPI, Stock Exchange Index, Exports, Consumer Outlook, FX rates, and GDP (Agriculture).

In 2024, the Bank refreshed the ECL framework. Updates on the ECL parameters involved the following:

- The most recent data were applied for probability of default (PD), loss given default (LGD) and exposure at default (EAD);
- LGD estimates for corporate loans were updated; and
- The macroeconomic factors (MEFs) were tested and updated based on the incremental data during refresh. The updated MEFs include Remittances, Loan Performances, Value of Production Index (VAPI), Stock Exchange Index, Consumer Outlook, Foreign Exchange rates, Employment Index & Unemployment rate and Gross Domestic Product (Exports and Agriculture).

Refer to Notes 3 and 5 for the detailed discussions of the inputs, assumptions and estimation uncertainty used in measuring ECL under PFRS 9. The related allowance for credit losses subject to ECL are disclosed in Note 17.

(ii) Fair Value of Financial Instruments

Where the fair values of financial assets and liabilities (including derivatives) recognized in the statements of financial position cannot be derived from active markets, these 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 estimates may include consideration of liquidity, volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(iii) Impairment of Investment in an Associate and Non-financial Assets

Investment in an Associate, Property, Equipment and Right-of-Use Asset, Investment Properties, Other Properties Acquired, and Intangible Assets under "Other Assets"

The Bank assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

- a) significant underperformance relative to expected historical or projected future operating results;
- b) significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- c) significant negative industry or economic trends.

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its net recoverable amount. Net recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The carrying values of investment in an associate, property, equipment and right-of-use assets, investment properties, other properties acquired and intangible assets under "Other Assets" are disclosed in Notes 13, 14, 15 and 16, respectively.

(iv) Estimated Useful Lives of Property and Equipment, Investment Properties, Other Properties Acquired and Software Costs

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

The estimated useful lives of property and equipment, investment properties, other properties acquired and software costs are disclosed in Note 3.

(v) Recognition of Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that sufficient taxable income will be available against which the related tax benefits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the forecasted timing and amount of future taxable income together with future tax planning strategies.

The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The recognized and the unrecognized deferred tax assets are disclosed in Note 32.

(vi) Present Value of Retirement Benefit Obligation

The cost of retirement benefits and other post-employment benefits are determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the prevailing market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at reporting date. The present value of the Bank's retirement obligation and the fair value of plan assets are disclosed in Note 29.

(vii) Contingencies

The Bank is currently involved in various legal proceedings. The probable costs for the resolution of these proceedings have been estimated by management, in consultation with the legal counsels handling the Bank's legal defense in these matters, and is based upon an analysis of potential results.

Management currently does not believe that these proceedings will have a material adverse effect on the Bank's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 38).

5. Financial Risk Management Objectives and Policies

Introduction

The business of banking involves financial risks which must be measured, monitored and managed by an effective risk management system embedded throughout the whole organization. Effective risk management ensures that financial risks are properly identified, assessed, measured and managed. The diligent monitoring and management of all financial risks, notably credit, interest rate risk in the banking book (IRRBB), market and liquidity risk require the development of a risk-conscious culture that will influence daily business activities and decision-making.

The Bank believes that effective risk management will not only minimize potential or actual losses but will also optimize earnings by correctly pricing its products and services commensurate to the risks taken. Its risk mission and objectives are to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities.

Risk Management Structure

The BOD is ultimately responsible for identifying and controlling risks. However, there are separate independent units at the BOD and management levels, which are responsible for managing and monitoring financial risk.

Board of Directors

The BOD is primarily responsible for the sound governance of the Bank, promotion of the highest standards of ethics and integrity. It approves and oversees the implementation of the Bank's strategic objectives and establishes and maintains sound risk management system for the whole institution. The BOD approves and reviews the institutional tolerance for risks, business strategies and risk philosophy.

Executive Committee (Excom)

The Excom is primarily responsible for the evaluation, approval and/or endorsement to the BOD for approval, credit and real and other properties acquired (ROPA) sales proposals from Management. The Excom also evaluates and recommends for BOD approval new, amended or enhanced Bank policies, products or services. The Excom may also act on such specific matters within the competence of the BOD, as may be delegated by majority vote of the BOD, except on certain matters expressly reserved by law for stockholders' and/or for the BOD' action.

Corporate Governance Committee

The Corporate Governance Committee is tasked to assist the BOD in fulfilling its corporate governance responsibilities and in providing oversight in the implementation of the Bank's Compliance System. It is responsible for ensuring due observance of corporate governance principles and guidelines across the Bank.

Related Party Transactions Committee (RPTCom)

The RPTCom assists the BOD in fulfilling its responsibility of ensuring that transactions with related parties are arm's length. It covers proper identification of related parties, recording and vetting of transactions with them including disclosures in financial reports, which must be consistent with relevant legal and regulatory requirements, and Bank policies.

Audit Committee

The Audit Committee represents and assists the BOD in its general oversight of the Bank's financial reporting policies, practices and control and internal and external audit functions. It oversees the relationship with the independent external auditors, receives information and provides advice, counsel and general direction, as it deems appropriate, to management and the auditors, taking into account the information it receives, discussions with the auditors, and the experience of the Committee's members in business, financial and accounting matters.

Board Risk Oversight Committee (BROC)

The BROC, a sub-committee of the BOD, oversees the Bank's risk management system. It has the power to approve procedures for implementing risk and capital management policies. The BROC shall assist the BOD with its oversight function to identify and evaluate risk exposures, develop risk management strategies, implement and periodically review the risk management framework and promote a risk management culture in the Bank.

Risk Management Division (RSK)

The RSK is responsible for the creation and oversight of the Bank's corporate risk policy. It is responsible for making recommendations to the BOD on corporate policies and guidelines for risk measurement, management and reporting. It also reviews the system of risk limits, compliance to said limits and validates the reports of the risk-taking personnel. The RSK reports to the BROC.

Senior Executive Team (SET)

The SET brings together the Chief Executive Officer, Group Heads and select Division Heads of the Bank to discuss and take up policy and strategic issues vital to the Bank's business, shareholders, employees and long-term viability.

Asset Liability Management Committee (ALCO)

The ALCO is responsible for setting, developing and implementing the Bank's Asset Liability Management (ALM) and hedging policy. It also reviews the allocation of resources, pricing of products and foreign exchange position of the Bank.

Internal Capital Adequacy Assessment Process (ICAAP) Steering Committee (ICAAPcom)

The ICAAPcom is responsible for overseeing the Bank's ICAAP to ensure that mandated minimum capital requirements are met and that capital levels are sufficient to cover the Bank's risk exposures driven by its strategic plans.

Credit and Collections Committee (Crecom)

The Crecom plays a critical role in the credit approval process. It has the power to approve credit proposals of any sort, e.g. establishment, renewal, extension, increase/decrease, restructuring or settlement of a credit line or term loan (whether short or long) within its authority and to endorse those credit proposals which are beyond its authority to the Excom and/or the BOD. It has likewise the responsibility to ensure that credit accommodations to related parties falling below the materiality thresholds are granted on arms' length basis and are compliant with the set regulations. On top of these, the Crecom studies and deliberates proposals intended to adopt new credit policies or to amend existing ones or to offer new loan products or programs, prior to endorsement to the SET and Excom for approval.

Internal Audit Division

Internal Audit Division is an independent unit of the Bank that conducts objective assurance and consulting activities designed to add value and improve the Bank's operations. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to examine, evaluate and improve the effectiveness of risk management, internal control and governance processes of the Bank. The Internal Audit Division reports to the Audit Committee.

Legal Services Division

The primary functions of the Bank's Legal Services Division are composed of rendering legal advice and document review to ensure that relevant laws are disseminated and complied with, the Bank's interest is duly protected, and identified risks are either eliminated or minimized and imparted to responsible units of the Bank. The Division also handles cases filed for and against the Bank.

Compliance Division

The Compliance Division is responsible for coordinating, monitoring and facilitating the Bank's compliance with regulatory requirements. It is responsible for implementing the Bank's Compliance Program and the Money Laundering and Terrorist Financing Prevention Program.

Risk Measurement and Reporting Systems

The Bank's capital adequacy is determined by measuring credit, market and operational risk exposures using standardized or basic approaches as suggested by BSP. Risk exposures are measured both individually and in aggregate amounts.

Risk measurements are done by respective risk-taking personnel and groups but are independently validated, analyzed and reported by the RSK.

Market risks are measured by mark-to-market and Value-at-Risk (VAR) analyses on the overall exposure, on a portfolio level, and on each individual financial instrument. These exposures are also subjected to stress testing using a variety of historical and hypothetical scenarios.

Quality of credit risks are measured via risk classifications of accounts using ICRRS together with BSP risk classification of borrowing accounts. The Bank's front office recommends the credit risk rating of borrowing accounts and classifications and allowance for losses including changes thereon, when necessary. All risk information is processed, analyzed and consolidated for proper reporting to the BOD through the BROC and Audit Committee, as well as the SET and various management committees of the Bank.

Actual and estimated risk exposures/losses at Treasury, Corporate, Consumer Business and Credit Cards, Operations and Information Technology, Trust and Branches are consolidated for regular reporting. Reports include, among others, portfolio mix, liquidity and maturity matching, interest rate matching, trading gains and losses, sensitivity and back-testing results, top borrowers, non-performing assets and loans, industry exposures, large exposures, fines and penalties, employee fraud cases, service level of major information technology systems and ATMs.

Risk Mitigation

To mitigate market risk exposures, other financial instruments are used to manage exposures resulting from changes in foreign currency and interest rate risk. The Bank also observes limits on positions, losses, and market sensitivities to contain these risk exposures.

The Bank maintains a capital adequacy ratio (CAR) of ten percent (10.0%) or better at all times, for regulatory compliance purposes.

Risk Concentration

The Bank manages loan concentration by controlling its mix of counterparties or borrowers in accordance with conditions permitted by regulators. Borrowers that are considered large in size are regularly monitored and reported to the BROC. Also, the limits for exposure on specific economic activity groups are in place allowing the Bank to maintain a strategic breakdown of credit risk of the different segments. Having these controls in place allows the Bank to proactively monitor exposure status and act upon limit breaches whenever necessary.

Credit Risk

The Bank considers credit risk as the possibility of loss arising from the counterparty's or customer's inability or unwillingness to settle his/her obligations on time or in full as expected or previously contracted.

The Bank has in place a credit policy manual that defines all practices, policies and procedures regarding loan activities from identification of target markets, credit initiation, documentation and disbursement, loan administration, remedial management, and loan unit organization and staffing. Also, it has in place credit approval authorities and respective limits duly approved by the BOD.

The Bank's primary element of credit risk management is the detailed risk assessment of every credit exposure associated with the counterparty. Risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific type of underlying credit exposures as mandated by the circulars issued by BSP. The risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the monitoring procedure applied to the ongoing exposures.

There has been no material change on the Bank's exposure to credit risk or the manner in which it manages and measures the risk.

Derivative Financial Instruments

The Bank enters into currency forward contracts to manage its foreign exchange risks. Currency forwards are contractual agreements to buy or sell a specified currency at a specific price and date in the future. These derivatives are accounted for as non-hedges, with the fair value changes being reported in the statements of income for the period under “Foreign exchange gains - net” account. Credit risk, in respect of derivative financial instruments, is limited to those with positive fair values, which are reported as “Financial assets at FVPL” account in the statements of financial position.

Credit-related Commitment Risks

The Bank makes available to its customers guarantees which may require the Bank to make payments on their behalf. Such payments are collected from customers based on the terms of the letters of credit. They expose the Bank to risks similar to loans and these are mitigated by the same control processes and policies.

Credit Risk Exposures

The table below shows the Bank’s maximum exposure on receivables from customers and sales contract receivables, net of unearned interest income and allowance for credit losses, before and after collateral to credit risk as at December 31, 2024 and 2023:

	December 31, 2024		December 31, 2023	
	Maximum Exposure		Maximum Exposure	
	Before Collateral	After Financial Effect of Collateral or Credit Enhancement	Before Collateral	After Financial Effect of Collateral or Credit Enhancement
Receivables from customers:				
Term loans	P102,122,054,012	P95,440,542,042	P80,465,866,990	P72,479,226,327
Agri-agra loans	13,570,344,235	13,566,502,013	11,478,913,064	11,221,920,766
Housing loans	9,479,983,651	6,625,490,914	8,256,741,837	2,913,703,470
Auto loans	4,817,361,550	4,555,858,290	3,880,015,183	1,352,091,080
Bills purchased, import bills and trust receipts	1,177,712,704	1,177,712,704	959,027,056	959,027,056
Direct advances	293,010,557	5,844,940	453,960,006	1,644,710
Others	2,301,332,860	2,301,172,355	2,084,429,902	2,084,264,623
	133,761,799,569	123,673,123,258	107,578,954,038	91,011,878,032
Sales contract receivables	278,434,248	-	331,532,289	-
	P134,040,233,817	P123,673,123,258	P107,910,486,327	P91,011,878,032

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

As at December 31, 2024 and 2023, fair value of collaterals held for loans and receivables amounted to P18.5 billion and P105.5 billion, respectively.

The table below shows the Bank's maximum exposures, net of unearned interest income, relating to financial assets carried under Stage 3 as at December 31, 2024 and 2023:

December 31, 2024				
	Maximum Exposure			Expected Credit Loss
	Before Collateral	Financial Effect of Collateral or Credit Enhancement	After Financial Effect of Collateral or Credit Enhancement	
Receivables from customers:				
Term loans	P680,576,644	P18,051,343	P662,525,301	P304,767,316
Agri-agra loans	138,284,306	-	138,284,306	138,284,306
Housing loans	284,138,121	125,120,332	159,017,789	73,501,172
Auto loans	336,290,190	275,422,326	60,867,864	243,410,847
Bills purchased, import bills and trust receipts	45,926,838	-	45,926,838	45,926,838
Direct advances	69,569,282	-	69,569,282	69,569,282
Others	304,187,793	183,895	304,003,898	226,824,514
	1,858,973,174	418,777,896	1,440,195,278	1,102,284,275
Sales contract receivables	90,873,179	37,260,172	53,613,007	53,985,608
	P1,949,846,353	P456,038,068	P1,493,808,285	P1,156,269,883

December 31, 2023				
	Maximum Exposure			Expected Credit Loss
	Before Collateral	Financial Effect of Collateral or Credit Enhancement	After Financial Effect of Collateral or Credit Enhancement	
Receivables from customers:				
Term loans	P443,679,697	P209,080,940	P234,598,757	P407,680,265
Agri-agra loans	185,707,842	6,232,700	179,475,142	185,707,842
Housing loans	543,308,772	477,362,994	65,945,778	172,339,550
Auto loans	350,702,965	341,795,414	8,907,551	232,543,078
Bills purchased, import bills and trust receipts	89,469,843	-	89,469,843	89,469,843
Direct advances	121,241,742	-	121,241,742	121,241,742
Others	253,848,484	183,895	253,664,589	186,626,571
	1,987,959,345	1,034,655,943	953,303,402	1,395,608,891
Sales contract receivables	100,875,387	47,192,830	53,682,557	54,151,486
	P2,088,834,732	P1,081,848,773	P1,006,985,959	P1,449,760,377

For the other financial assets carried under Stage 3, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2024 and 2023.

Collaterals and Other Credit Enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. Guidelines are implemented regarding the acceptability of types of collateral valuation and parameters.

The main types of collaterals obtained are as follows:

- For securities lending and reverse repurchase transactions: cash or securities;
- For commercial lending: mortgages over real properties, inventory and trade receivables and chattel mortgages; and
- For retail lending: mortgages over real properties and financed vehicles.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement, in the event that the value of the collateral depreciates due to various factors affecting the collateral.

It is the Bank's policy to dispose repossessed properties in the most expeditious manner possible. Sale is facilitated by offering incentives to the Bank's accredited brokers and/or formulating programs to attract buyers like offering fixed interest rates for an extended period of time and reduced rates for down payment as compared to prevailing market rates, among others.

Credit Quality Per Class of Financial Assets

The credit quality of financial assets is assessed and managed by the Bank using both external and internal credit ratings. The Bank's ICRRS is an established tool used to evaluate the Credit Risk associated with each borrower. The ICRRS assigns a score to each account based on a combination of quantitative and qualitative factors. The scores assigned to each obligor is equivalent to the risk associated to each individual. The scoring model is reviewed and validated by external parties regularly to ensure that the model is risk ranking properly. The risk rating is used as one of the measures of the Bank's risk appetite and as a factor in impairment calculation.

Based on the evaluation of the facility risk factor (FRF), the borrower risk rating (BRR) can be upgraded or downgraded to come up with the final credit risk rating (CRR). Such CRR is eventually used in the determination of the ECL.

BRR Disclosure

In compliance with BSP, the Bank implemented a credit risk classification that is compliant with global rating standards. The BRR is the evaluation of the credit worthiness of an existing or prospective borrower. The account is evaluated independent of any influence from any transactional factors. The BRR measures the borrower's credit quality by looking into three major aspects, namely, financial condition, industry analysis and management quality. The financial condition is assessed by the Bank through financial ratio analysis based on the latest available financial information of the borrower. The Bank performs industry analysis by reviewing actual and expected significant changes in the political, regulatory, and technological environment of the borrower or in its business activities. Management quality is assessed by reviewing the experience and quality of management and management's business strategy. In addition, management's business planning and management of banking relationship are also considered. Each section is given the following point allocation:

Section	Maximum Points	Section Rating
Financial Condition	240	40%
Industry Analysis	210	30%
Management Quality	150	30%
TOTAL	600	100%

There are several rating factors per section which can earn points depending on the four (4) quality judgment levels as follows:

Good	- 30 points
Satisfactory	- 20 points
Still acceptable	- 10 points
Poor	- 0 point

If there is no available information for a specific factor, a rating of "Poor" will be given.

The BRR is used to determine the credit quality of the Bank's corporate accounts. Loan accounts are classified according to a 1 -10 rating scale based on BRR results, as follows:

	Final Score	Equivalent Risk Rating	Calculated BRR
High Grade	>177	Excellent	1
	150 - 176	Strong	2
	123 - 149	Good	3
Standard Grade	96 - 122	Satisfactory	4
	68 - 95	Acceptable	5
	<68	Watchlist	6
Substandard Grade		Special Mention	7
		Substandard	8
Impaired		Substandard	8
		Doubtful	9
		Loss	10

High Grade or accounts with BRR of 1-3 are loans where the risk of the Bank are good to excellent in terms of risk quality and where the likelihood of the non-payment of obligation is less likely to happen.

Standard Grade or accounts with BRR of 4-6 are loans where the risk of the Bank ranges from satisfactory to acceptable with some form of weakness and where repayment capacity needs to be watched.

Substandard Grade or accounts with BRR of 7-8 are loans still in current status but observed to have potential weaknesses and require a closer observation than the accounts under the Standard rating since if weaknesses are uncorrected, repayment of the loan may be affected increasing the credit risk to the Bank.

Past due but not impaired are those accounts for which contractual principal and interest payments were past due but the Bank still believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank.

Impaired accounts are loans classified by the Bank as Substandard, Doubtful and Loss where there are experiences of past due accounts and there are well-defined weaknesses where collection or liquidation of obligation may be or is already jeopardized.

Consumer loans portfolio and credit card receivables undergo credit scoring, which results in applications either being referred for further manual evaluation or declined. Receivables considered outside the main business lines of the Bank are considered unrated accounts, which include benefit loans, accounts receivable, accrued interest receivables, sales contract receivables and returned checks and other cash items (RCOCI).

The BRR can be subject to an upgrade/downgrade on the basis of the following:

Group Affiliation:

- (a) When a borrower belongs to a group of companies, it can be upgraded up to the rating of the parent company provided that the parent company has a BRR of 4 or better.

- (b) If the BRR of the subsidiary is better than the parent, a downgrade can be considered especially if the parent has a BRR of 5 or worse.
- (c) If the parent has a BRR of 5 or lower and the subsidiary was also rated 5 or worse, it can retain its own rating.
- (d) If there are criteria such as the medium and long-term outlook, special risks that can grievously affect the company and outweigh the other criteria, a possible downgrade can be considered.
- (e) Companies with rapid expansion without a strong driving force or only on account of a single customer are also potential for downgrading.

FRF:

- (a) The FRF is an adjustment in the BRR that considers the transactional influence. It takes into account the quality of each facility. It is important to note that a Borrower can have only 1 BRR but several FRF for its multiple facilities. FRF evaluates the different security arrangements; the quantity and the quality of the collateral cover for each facility.
- (b) Collaterals are assessed at the net realizable value in a liquidation scenario. In evaluating the worthiness of the collateral, the quality of the documentation and the possible subordination of the Bank's claim should also be considered.

The adjustment on the BRR based on the FRF will be based on the following:

Upgrade	The facility is cash collateralized or covered by marketable securities
	Full collateralization of other assets
	3 rd party guarantees in accordance with the BRR of the guarantor an upgrade should be set to the BRR of the guarantor
Downgrade	Borrower is a potential candidate for a downgrade if the facility is clean or a major part of the facilities are pledged to other creditors

The following table shows the credit quality of loans and receivables, excluding unquoted debt securities (gross of allowance for credit losses and net of unearned interest income) as at December 31, 2024 and 2023 (amounts in thousands).

	December 31, 2024										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Neither past due nor impaired:											
High grade	P31,219,537	P -	P -	P559,000	P287,264	P1,303,843	P -	P33,369,644	P -	P935,085	P34,304,729
Standard grade	68,496,710	-	20,751	622,537	4,928	12,144,771	-	81,289,697	-	551,839	81,841,536
Subject to scoring and unrated	-	9,105,032	4,647,760	-	-	-	2,213,384	15,966,176	238,950	959,902	17,165,028
	99,716,247	9,105,032	4,668,511	1,181,537	292,192	13,448,614	2,213,384	130,625,517	238,950	2,446,826	133,311,293
Stage 2											
Neither past due nor impaired:											
Standard grade	1,537,683	-	-	-	-	-	-	1,537,683	-	2,697	1,540,380
Substandard grade	810,000	-	-	-	962	170,000	-	980,962	-	14,632	995,594
Past due but not impaired	-	175,498	71,241	-	-	-	88,332	335,071	5,042	30,800	370,913
Impaired	75,000	-	-	-	-	-	-	75,000	-	423	75,423
	2,422,683	175,498	71,241	-	962	170,000	88,332	2,928,716	5,042	48,552	2,982,310
Stage 3											
Impaired	680,577	284,138	336,290	45,927	69,569	138,284	304,188	1,858,973	90,873	837,498	2,787,344
	680,577	284,138	336,290	45,927	69,569	138,284	304,188	1,858,973	90,873	837,498	2,787,344
	P102,819,507	P9,564,668	P5,076,042	P1,227,464	P362,723	P13,756,898	P2,605,904	P135,413,206	P334,865	P3,332,876	P139,080,947

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOI

December 31, 2023

	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Neither past due nor impaired:											
High grade	P28,024,849	P -	P339	P672,648	P442,426	P -	P -	P29,140,262	P -	P767,219	P29,907,481
Standard grade	52,189,800	-	26,565	288,581	9,996	11,489,607	-	64,004,549	-	413,571	64,418,120
Subject to scoring and unrated	-	7,739,774	3,696,107	-	-	-	1,985,562	13,421,443	282,515	459,924	14,163,882
	80,214,649	7,739,774	3,723,011	961,229	452,422	11,489,607	1,985,562	106,566,254	282,515	1,640,714	108,489,483
Stage 2											
Neither past due nor impaired:											
Standard grade	3,370	-	-	-	-	4,731	-	8,101	-	32	8,133
Substandard grade	535,173	-	-	-	1,674	-	-	536,847	-	3,384	540,231
Past due but not impaired	-	171,144	46,914	-	-	-	88,814	306,872	5,171	27,021	339,064
Impaired	-	-	-	-	-	1,500	-	1,500	-	1	1,501
	538,543	171,144	46,914	-	1,674	6,231	88,814	853,320	5,171	30,438	888,929
Stage 3											
Impaired	443,680	543,309	350,703	89,470	121,242	185,708	253,848	1,987,960	100,875	827,152	2,915,987
	443,680	543,309	350,703	89,470	121,242	185,708	253,848	1,987,960	100,875	827,152	2,915,987
	P81,196,872	P8,454,227	P4,120,628	P1,050,699	P575,338	P11,681,546	P2,328,224	P109,407,534	P388,561	P2,498,304	P112,294,399

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOCI

The following table shows the credit quality of loan commitment and financial guarantee contracts as at December 31, 2024 and 2023 (amounts in thousands).

	December 31, 2024			Total
	Stage 1	Stage 2	Stage 3	
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	P1,486,993	P -	P -	P1,486,993
Standard grade	24,379,059	-	-	24,379,059
Subject to scoring*	3,866,333	-	-	3,866,333
	P29,732,385	P -	P -	P29,732,385

*Comprised of unused credit card lines.

	December 31, 2023			Total
	Stage 1	Stage 2	Stage 3	
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	P391,758	P -	P -	P391,758
Standard grade	23,941,997	-	-	23,941,997
Subject to scoring*	3,600,977	-	-	3,600,977
	P27,934,732	P -	P -	P27,934,732

*Comprised of unused credit card lines.

Sensitivity of ECL to Future Economic Conditions

Set out below are the changes to the Bank's ECL in 2024 and 2023 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions.

	December 31, 2024			
	Change in MEF		Impact on ECL	
	Increase	Decrease	Impact of 1% Increase in MEF	Impact of 1% Decrease in MEF
Corporate MEF				
Lag 3 of the quarterly change of the Overseas Filipino personal remittance*				
Lag 12 of the annual change of the ratio: (Gross NPL/Total Loans)				
Philippine Treasury Reference Rates - PM (PDST-R2) Tenor-6M lagged over 12 months	1%	1%	-0.07%	0.08%
Lag 9 of the annual change of the VaPI of Key Manufacturing Indices by Industry (2018 values of growth rates)*				
Auto MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)				
Out-of-pattern variable of the month-end Philippine Stock Exchange Index lagged over 3 months*				
Exports of Goods and Services, current prices (in million Philippine Pesos) lagged over 6 months.*	1%	1%	-0.16%	0.17%
Philippine Treasury Reference Rates -PM (PDST-R2) Tenor-1M lagged over 11 Months.				
Housing MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)				
C Out-of-pattern variable of the Consumer Expectations Survey next 12 months (rate)*				
9-month lag of the annual change of the current prices of the Exports of Goods and Services*	1%	1%	0.03%	-0.03%
Foreign Exchange rate: Monthly averages of the Japanese Yen per Philippine Peso lagged over 3 months				
Salary MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)				
Out-of-pattern variable of the Consumer Expectations Survey next 12 months (rate)*	1%	1%	-0.72%	0.77%
12-month lag of the annual change of the Agriculture, Fishery and Forestry, current prices*				

*These variables have a negative relationship with default

December 31, 2023				
	Change in MEF		Impact on ECL	
	Increase	Decrease	Impact of	Impact of
			1% Increase in MEF	1% Decrease in MEF
Corporate MEF				
Lag 3 of the quarterly change of the Overseas Filipino personal remittance*				
Lag 12 of the annual change of the ratio: (Gross NPL/Total Loans)				
Philippine Treasury Reference Rates - PM (PDST-R2) Tenor-6M lagged over 12 months	1%	1%	-0.05%	0.05%
Lag 9 of the annual change of the VaPI of Key Manufacturing Indices by Industry (2018 values of growth rates)*				
Auto MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)				
Out-of-pattern variable of the month-end Philippine Stock Exchange Index lagged over 3 months*				
Exports of Goods and Services, current prices (in million Philippine Pesos) lagged over 6 months.*	1%	1%	-0.02%	0.02%
Philippine Treasury Reference Rates -PM (PDST-R2) Tenor-1M lagged over 11 Months.				
Housing MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)				
C Out-of-pattern variable of the Consumer Expectations Survey next 12 months (rate)*				
9-month lag of the annual change of the current prices of the Exports of Goods and Services*	1%	1%	-0.001%	0.001%
Foreign Exchange rate: Monthly averages of the Japanese Yen per Philippine Peso lagged over 3 months				
Salary MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)				
Out-of-pattern variable of the Consumer Expectations Survey next 12 months (rate)*				
12-month lag of the annual change of the Agriculture, Fishery and Forestry, current prices*	1%	1%	-0.001%	0.001%

*These variables have a negative relationship with default

Loans with Renegotiated Terms

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Bank renegotiates receivable from customers in financial difficulties to maximize collection opportunities and minimize the risk of default. The carrying amounts per class of loans and receivables whose terms have been renegotiated are as follows:

	2024	2023
Term loans	P611,885,114	P796,146,616
Agri-Agra loans	131,257,842	132,758,283
Housing loans	28,837,027	33,325,362
Auto loans	-	341,434
Others	94,129,032	82,594,485
	P866,109,015	P1,045,166,180

For financial assets such as amounts due from BSP and other banks, interbank loans receivable and SPURA, financial assets at FVPL, financial assets at FVOCI, investment securities at amortized cost, and unquoted debt securities classified as loans, the credit quality is assessed using external credit rating (such as Standard & Poor's, Fitch, Moody's, etc.) of the respective counterparties considering relevant BSP mandates, as follows:

	December 31, 2024		
	AA - A	BBB and Below or Unrated	Total
Loans and advances to banks: **			
Due from BSP	P47,919,926,114	P -	P47,919,926,114
Due from other banks	3,349,901,986	469,998,869	3,819,900,855
Interbank loans receivable and SPURA	3,587,849,088	-	3,587,849,088
	54,857,677,188	469,998,869	55,327,676,057
Financial assets at FVPL:			
Government securities held-for-trading	-	2,782,360,563	2,782,360,563
Derivative assets*	-	63,717,369	63,717,369
Private debt securities	-	29,555,862	29,555,862
	-	2,875,633,794	2,875,633,794
Financial assets at FVOCI:			
Government securities**	-	19,036,826,434	19,036,826,434
Equity securities	-	41,807,401	41,807,401
	-	19,078,633,835	19,078,633,835
Investment securities at amortized cost:			
Government securities**	-	34,465,484,615	34,465,484,615
Private debt securities**	282,010,734	1,868,421,885	2,150,432,619
	282,010,734	36,333,906,500	36,615,917,234
Loans and receivables - gross:			
Unquoted debt securities***	-	291,578,217	291,578,217
	P55,139,687,922	P59,049,751,215	P114,189,439,137

*Unrated derivatives pertain to warrants

**Accounts are neither past due nor impaired and carried at Stage 1 in 2024

***Accounts are impaired and carried at Stage 3 in 2024

	December 31, 2023		
	AA - A	BBB and Below or Unrated	Total
Loans and advances to banks: **			
Due from BSP	P24,275,195,629	P -	P24,275,195,629
Due from other banks	504,166,331	551,330,762	1,055,497,093
Interbank loans receivable and SPURA	20,114,496,080	-	20,114,496,080
	44,893,858,040	551,330,762	45,445,188,802
Financial assets at FVPL:			
Private debt securities	-	190,504,814	190,504,814
Government securities held-for-trading	96,719,128	83,883,498	180,602,626
Derivative assets*	-	27,685,000	27,685,000
	96,719,128	302,073,312	398,792,440
Financial assets at FVOCI:			
Government securities**	-	10,850,047,722	10,850,047,722
Equity securities	-	193,757,106	193,757,106
	-	11,043,804,828	11,043,804,828
Investment securities at amortized cost:			
Government securities**	-	50,311,649,891	50,311,649,891
Private debt securities**	-	2,165,662,758	2,165,662,758
	-	52,477,312,649	52,477,312,649
Loans and receivables - gross:			
Unquoted debt securities***	-	291,578,212	291,578,212
	P44,990,577,168	P64,666,099,763	P109,656,676,931

*Unrated derivatives pertain to warrants

**Accounts are neither past due nor impaired and carried at Stage 1 in 2023

***Accounts are impaired and carried at Stage 3 in 2023

Aging Analysis of Past Due but not Impaired

The table below shows the aging of past due but not impaired loans and receivables as at December 31, 2024 and 2023.

	December 31, 2024			Total
	1 - 30 Days	31 - 60 Days	61 - 90 Days	
Receivable from customers (gross):				
Housing loans	P468,268	P120,041,750	P54,987,794	P175,497,812
Auto loans	-	53,978,278	17,262,943	71,241,221
Others	52,608,939	31,053,822	4,669,189	88,331,950
Sales contract receivables	-	2,049,430	2,991,661	5,041,091
Other receivables*	2,492	24,000,644	6,797,865	30,801,001
	P53,079,699	P231,123,924	P86,709,452	P370,913,075

* Comprised of accrued interest receivables, accounts receivables, and RCOCI

	December 31, 2023			Total
	1 - 30 Days	31 - 60 Days	61 - 90 Days	
Receivable from customers (gross):				
Housing loans	P21,420,752	P86,393,824	P63,329,410	P171,143,986
Auto loans	31,415	34,781,613	12,100,719	46,913,747
Others	44,493,128	40,144,605	4,176,718	88,814,451
Sales contract receivables	-	3,491,830	1,679,150	5,170,980
Other receivables*	300,075	20,832,308	5,555,872	26,688,255
	P66,245,370	P185,644,180	P86,841,869	P338,731,419

* Comprised of accrued interest receivables, accounts receivables, and RCOCI

Impairment Assessment

The Bank recognizes credit losses on financial assets at amortized cost and debt securities at FVOCI based on whether it has had a significant increase in credit risk since initial recognition. ECLs are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Liquidity Risk and Funding Management

Liquidity risk is the risk to the Bank's earnings and capital arising from its inability to meet funding requirements in a timely manner. To measure and monitor this risk, the Bank generates a report on future cash flows and liquidity on a daily basis. To ensure sufficient liquidity, the Bank has a set of internal limits incorporated in its annual budget that allocates a portion of its liabilities into cash, investment securities and other liquid assets. Concentration on a single funding source is also regularly monitored to control the Bank's reliance on a specific product or counterparty.

The Bank has available credit lines from various counterparties that it can utilize to meet sudden liquidity demands. It also maintains a portfolio of high quality liquid assets (HQLA) that can be converted to cash in a short period of time and with minimal loss incurred. This ensures compliance with Liquidity Coverage Ratio (LCR) as required by Basel III regulations. LCR checks if there is sufficient HQLA to offset short-term net outflows or short-term obligations under stressed conditions. The Bank also expands its sources of stable funds in order to support asset growth and meet the Net Stable Funding Ratio (NSFR) regulatory limit. NSFR ensures that the Bank is not overly reliant on short-term funding in funding its long-term assets. The Bank's liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating both to the market in general and to events specific to the Bank. A contingency funding plan, which covers quantitative and procedural measures, is in place and may be applied under different stress scenarios.

The Bank also manages its liquidity position through the monitoring of a Maximum Cumulative Outflow against a Board-approved limit. This process measures and estimates projected funding requirements that the Bank will need at specific time horizons.

There has been no material change to the Bank's exposure to liquidity and funding management risk or the manner in which it manages and measures the risk.

Analysis of Financial Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the Bank's financial liabilities as at December 31, 2024 and 2023 based on contractual undiscounted repayment obligations (amounts in thousands).

	December 31, 2024					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
Deposit liabilities:						
Demand	P63,961,972	P -	P -	P -	P -	P63,961,972
Savings	45,216,717	78,786,958	1,210,133	-	-	125,213,808
Time	13,598	16,452,949	1,247,703	290,588	-	18,004,838
Long-term negotiable certificates	-	55,952	5,135,038	-	-	5,190,990
Financial liabilities at FVPL	-	45,214	-	-	-	45,214
Bonds payable	-	106,604	6,841,649	-	-	6,948,253
Manager's checks	-	1,414,092	-	-	-	1,414,092
Accrued interest and other expenses*	-	748,774	-	-	-	748,774
Lease liabilities	-	42,234	189,700	485,855	25,710	743,499
Other liabilities**	-	8,965,335	954,148	301,145	-	10,220,628
Total Undiscounted Financial Liabilities	P109,192,287	P106,618,112	P15,578,371	P1,077,588	P25,710	P232,492,068

*amounts exclude accruals of employee and other benefits, taxes payable and rent

**amounts exclude withholding tax payable, retirement liability and ECL on off-balance sheet exposures

	December 31, 2023					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
Deposit liabilities:						
Demand	P54,569,494	P -	P -	P -	P -	P54,569,494
Savings	41,230,115	66,890,815	1,734,937	-	-	109,855,867
Time	16,157	14,695,940	1,575,014	446,877	-	16,733,988
Long-term negotiable certificates	-	55,952	170,372	5,190,990	-	5,417,314
Financial liabilities at FVPL	-	6,202	-	-	-	6,202
Bonds payable	-	93,196	7,625,657	-	-	7,718,853
Manager's checks	-	1,846,500	-	-	-	1,846,500
Accrued interest and other expenses*	-	1,047,574	-	-	-	1,047,574
Lease liabilities	-	38,696	172,936	422,940	35,149	669,721
Other liabilities**	-	951,269	2,039,295	-	290,118	3,280,682
Total Undiscounted Financial Liabilities	P95,815,766	P85,626,144	P13,318,211	P6,060,807	P325,267	P201,146,195

*amounts exclude accruals of employee and other benefits, taxes payable and rent

**amounts exclude withholding tax payable, retirement liability and ECL on off-balance sheet exposures

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments (amounts in thousands):

December 31, 2024					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Commitments	P3,866,333	P1,969,134	P13,043,118	P10,853,800	P29,732,385
Contingent liabilities	69,583,108	6,118,951	159,154	3,305,340	79,166,553
	P73,449,441	P8,088,085	P13,202,272	P14,159,140	P108,898,938

December 31, 2023					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Commitments	P3,600,977	P5,204,466	P6,350,066	P12,779,223	P27,934,732
Contingent liabilities	68,808,955	5,371,330	2,192,872	3,324,538	79,697,695
	P72,409,932	P10,575,796	P8,542,938	P16,103,761	P107,632,427

Interest Rate Risk in the Banking Book

The loans provided by the Bank to its borrowers are mostly funded by the deposits of its branch and corporate customers. The difference in the interest revenues from loans and the interest expense in servicing deposits provide the bulk of the Bank's Net Interest Income (NII). Aside from loans, interest revenue is also generated from holdings in debt securities, repurchase agreements (repo), and other interest-bearing assets. Occasionally, the Bank taps interbank loans and other sources of funding to supplement deposits, which are subject to additional interest expense.

The Bank utilizes Funds Transfer Pricing (FTP) as a mechanism to charge the asset businesses for funding (e.g., term loans, housing loans) and to compensate fund raisers (e.g., branch deposits). FTP helps units evaluate profitability and calculate returns upon deal origination. Furthermore, the FTP framework insulates them from interest rate risk. The Central Funding Unit (CFU), under the Treasury Management Group, manages the Bank's overall IRRBB. CFU is the first line of defense for both IRRBB and Liquidity Risk. While the Bank does not have intentions to hedge IRRBB via interest rate swaps in the short-term, it actively manages IRRBB by growing its sources of stable funds to match long-term assets.

The FTP policy is properly documented and is transparent to all parties. The FTP interest rates are anchored by widely-used and market-driven benchmark rates such as BVAL and BSP interest rate corridor rates for Peso; USD Secured Overnight Financing Rates and USD-denominated bonds issued by the Philippines for USD. Trends, forecasts, and adjustments to the FTP are discussed and approved in the regular ALCO meeting.

The NII, and ultimately earnings and capital, is vulnerable to adverse fluctuations in interest rates. The Bank also measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of asset-liability gap analysis on a monthly basis. This analysis focuses on the repricing profile of its rate sensitive assets and liabilities, and the impact of interest rate movements on the Bank's accrual earnings. The interest rate repricing gap report assigns all assets and liabilities into various time buckets according to the remaining days to maturity for fixed-rate items, remaining days to next re-pricing for floating-rate items, or based on behavioral assumptions, if more applicable.

The difference between the total of the repricing (interest rate-sensitive) assets and repricing (interest rate-sensitive) liabilities gives an indication of the Bank's repricing risk exposure. A positive gap means more assets mature or have to be repriced than liabilities. In this case, the Bank is said to be "asset sensitive" in that time bucket and it benefits from an increase of interest rates as the assets will be repriced faster than liabilities.

A bank with a negative gap is considered “liability sensitive” since it has more liabilities to be repriced during such period than assets. It is negatively affected by a hike in interest rates. An example would be a bank that uses short-term deposits to fund long-term loans at fixed rates. It may encounter a decline in its net interest income if the interest rates increase since the cost of funds (the deposit rates) will increase while the earnings from loans remain fixed.

RSK monitors the mismatches in the repricing of its assets and liabilities through the interest rate gap reports presented to ALCO and BROCC on a monthly basis. To ensure that the Bank’s net interest income is preserved, the Bank has set a limit for the maximum repricing gap, either positive or negative, for tenors up to 1 year. These limits are reviewed annually and form part of the Bank’s risk appetite statements.

Non-maturing fixed-rate deposits or current-savings accounts (CASA) are split into three classifications: 1) stable and core deposits; 2) stable-but-non-core deposits and; 3) non-stable deposits. The volatile or non-stable portion of the non-maturing deposits/CASA is slotted in the shortest time-bucket (i.e., less than one month). Stable-but-non-core portion is slotted based on an assumed repricing approximation. Stable-and-core portion is slotted in the 3 to 5-year bucket. The IRRBB model captures the possibility of borrowers prepaying their loans and time deposit customers pre-terminating their investments. The interest rate scenario of the model simulates the impact of interest rate movements on existing loans and deposits. More (less) prepayment is expected if interest rates decline (increase), while more (less) pre-termination is expected if interest rates increase (decrease).

Earnings at risk is simulated on a monthly basis and subject to a limit approved by the Board. The report is also accompanied by stress testing with scenarios such as: 1) standard parallel yield curve shifts; 2) BSP-prescribed yield curve shifts; 3) steepening and inversion of the curves; and 4) timing mismatch in assets and liabilities repricing. Internal Audit conducts a regular validation of the IRRBB models and parameters in addition to the risk-based full scope audit of RSK, which includes a review and evaluation of the processes and controls, including governance and risk management activities.

The table below sets forth the Bank’s interest rate repricing gap as at December 31, 2024 and 2023 (amounts in millions).

	December 31, 2024								Total
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P4,244	P4,244
Due from BSP	34,589	-	-	-	-	-	-	13,324	47,913
Due from other banks	-	-	-	-	-	-	-	7,268	7,268
Interbank loans receivable	-	139	-	-	-	-	-	-	139
Financial assets at FVPL	-	-	-	-	-	-	-	2,876	2,876
Financial assets at FVOCI	288	373	1,703	3,265	13,992	-	-	(547)	19,074
Investment securities at AC	500	324	683	5,750	15,112	6,053	8,589	(338)	36,673
Loans - net	41,408	26,992	14,791	14,712	11,460	17,078	5,020	2,302	133,763
Other resources	216	16	-	-	-	-	-	11,732	11,964
	P77,001	P27,844	P17,177	P23,727	P40,564	P23,131	P13,609	P40,861	P263,914
Liabilities and Equity									
Deposit liabilities:	P96,039	P12,188	P17,208	P5,776	P207	P80,590	P -	P -	P212,008
Demand deposits	11,618	-	7,323	-	-	45,021	-	-	63,962
Savings deposits	1,248	-	8,451	-	-	35,514	-	-	45,213
Time deposits	83,173	12,188	1,434	747	207	55	-	-	97,804
Long-term negotiable certificates	-	-	-	5,029	-	-	-	-	5,029
Bonds payable	-	-	-	6,534	-	-	-	-	6,534
Other liabilities	-	-	-	-	-	-	-	13,746	13,746
Capital funds	96,039	12,188	17,208	12,310	207	80,590	-	13,746	232,288
	-	-	-	-	-	-	-	31,626	31,626
	P96,039	P12,188	P17,208	P12,310	P207	P80,590	P -	P45,372	P263,914
Total periodic gap	(P19,038)	P15,656	(P31)	P11,417	P40,357	(P57,459)	P13,609	(P4,511)	P -

	December 31, 2023								Total
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P3,501	P3,501
Due from BSP	8,473	-	-	-	-	-	-	15,799	24,272
Due from other banks	-	-	-	-	-	-	-	3,068	3,068
Interbank loans receivable	17,973	128	-	-	-	-	-	(2)	18,099
Financial assets at FVPL	-	-	-	-	-	-	-	399	399
Financial assets at FVOCI	243	353	1,239	2,598	6,923	-	-	(468)	10,888
Investment securities at AC	12,835	3,728	682	-	14,720	10,705	10,240	(343)	52,567
Loans - net	33,245	26,033	7,569	7,929	12,790	17,675	24	2,314	107,579
Other resources	236	33	-	-	-	-	-	9,632	9,901
	P73,005	P30,275	P9,490	P10,527	P34,433	P28,380	P10,264	P33,900	P230,274
Liabilities and Equity									
Deposit liabilities:	P71,562	P17,602	P16,618	P908	P5,343	P73,872	P -	P -	P185,905
Demand deposits	6,423	-	6,990	-	-	41,157	-	-	54,570
Savings deposits	1,037	-	7,563	-	-	32,619	-	-	41,219
Time deposits	64,102	17,602	2,065	908	314	96	-	-	85,087
Long-term negotiable certificates	-	-	-	-	5,029	-	-	-	5,029
Bonds payable	-	-	-	7,478	-	-	-	-	7,478
Other liabilities	-	-	-	-	-	-	-	7,420	7,420
	71,562	17,602	16,618	8,386	5,343	73,872	-	7,420	200,803
Capital funds	-	-	-	-	-	-	-	29,471	29,471
	P71,562	P17,602	P16,618	P8,386	P5,343	P73,872	P -	P36,891	P230,274
Total periodic gap	P1,443	P12,673	(P7,128)	P2,141	P29,090	(P45,492)	P10,264	(P2,991)	P -

The Bank manages interest rate risk separately for its RBU and FCDU books. The interest rate risk of the RBU of the Bank from its accounts is managed in PHP while the FCDU of the Bank, regardless of original currency, is managed in USD. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's results of operations and OCI:

December 31, 2024				
Currency	Changes in Interest Rates (In Basis Points)	Sensitivity of Net Interest Income (In Millions)	Sensitivity of Trading Gains - net on FA at FVPL (In Millions)	Sensitivity of OCI (In Millions)
PHP	200	P201.23	(P218.13)	(P1,553.89)
USD	100	(5.25)	(39.35)	(74.30)
PHP	-200	(201.23)	218.13	1,553.89
USD	-100	5.25	39.35	74.30

December 31, 2023				
Currency	Changes in Interest Rates (In Basis Points)	Sensitivity of Net Interest Income (In Millions)	Sensitivity of Trading Gains - net on FA at FVPL (In Millions)	Sensitivity of OCI (In Millions)
PHP	+200	P147.58	(P5.67)	(P960.56)
USD	+100	(0.35)	(9.43)	(79.95)
PHP	-200	(147.58)	5.67	960.56
USD	-100	0.35	9.43	79.95

The sensitivity of the results of operations is measured as the effect of the assumed changes in interest rates on the net interest income for one year based on the floating rate of financial assets and liabilities held as at December 31, 2024 and 2023.

The sensitivity of “Trading and investment securities gains (losses) - net” and OCI is calculated by revaluing fixed-rate financial assets at FVPL and debt securities at FVOCI, respectively, as at December 31, 2024 and 2023. The total sensitivity of OCI is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

Market Risk

Market risk arises from the potential decline in earnings and capital due to adverse changes in market conditions and the underlying risk factors, which in turn affect the value and future cash flows of financial instruments, products, and transactions. The Bank is primarily exposed to two sources of market risk, namely: 1) market price risk in the trading book; and 2) foreign exchange risk from open foreign currency exposures. The Bank also has equity-related holdings which is a source of equity price risk, although deemed as minimal compared to the first two.

There has been no material change to the Bank’s exposure to market risk or the manner in which it manages and measures the risk.

Market Price Risk in the Trading Book

The market price of financial instruments and transactions in the trading book may change unfavorably as a result of movements in interest rates, foreign exchange rates, credit spreads, and other risk factors. The Bank employs an internally developed VAR model, along with other sensitivity metrics, to measure and monitor the probable deterioration in the market value of its trading portfolio. The Bank’s RSK simulates the trading book’s VAR on a daily basis and the results are compared against Board-approved limits. In addition to the limit on VAR, the trading portfolio is also subject to limits on aggregate exposures, sensitivity metrics, monthly and yearly losses.

Value-at-Risk Methodology

VAR serves as the Bank’s key metric in the measurement of risk arising from market price changes of financial assets and foreign currency exposures. Given data for the market risk factors over a 1-year period (260 business days), VAR is the maximum probable loss that may be incurred from positions exposed to market risk. The maximum probable loss is calculated from simulations of daily profit and losses assuming that historical movements in market risk factors will recur, subject to a 99% confidence level and a 1-day holding period.

The Bank’s VAR methodology is based on the widely used historical simulation method but with a modification on the usual assumption of equal probabilities in the simulation data points. Profit and loss simulations derived from older data are given less importance by assigning them with progressively lower probabilities of occurrence when used in the calculation of the maximum probable loss.

The table below summarizes the results of the Bank’s VAR calculations as at December 31, 2024 and 2023.

	FX Exposures	HFT Securities	FVOCI Securities	Aggregate VAR
2024				
As at December 31, 2024	P1,055,981	P19,972,845	P96,351,049	P117,379,875
Average	1,802,516	16,829,705	84,843,456	103,396,074
Highest	9,892,421	37,504,367	138,826,273	169,508,195
Lowest	235,676	564,953	38,889,755	39,831,044
2023				
As at December 31, 2023	P1,950,756	P1,471,726	P50,010,354	P53,432,836
Average	1,618,958	2,794,146	51,444,695	54,952,559
Highest	7,728,518	9,254,465	67,024,351	69,553,970
Lowest	268,678	78,190	39,722,601	41,246,030

Currency Risk

The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Bank believes that its profile of foreign currency exposure based on its assets and liabilities is within conservative limits for a financial institution engaged in a type of business similar to that of the Bank.

Foreign currency deposits are generally used to fund the foreign currency-denominated loan and investment portfolios in the FCDU. Banks are required by BSP to match the foreign currency liabilities held in the FCDU with foreign currency assets. In addition, BSP requires a 30.0% liquidity reserve on all foreign currency liabilities held in the FCDU.

Similar to market price risk in the trading book, the Bank employs limits and a VAR model to manage the risk that possible interest or currency movements pose. Such limits are prudently set and the position status is monitored on a daily basis.

The table below summarizes the Bank's exposure to foreign exchange risk as at December 31, 2024 and 2023. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency (based on USD equivalents in thousands):

	December 31, 2024			
	USD	Euro	Others	Total
Assets				
Cash	\$ -	\$33	\$1,838	\$1,871
Due from other banks	179	407	284	870
Interbank loans	4,699	-	-	4,699
Loans and receivables	1,582	-	-	1,582
Total Assets	6,460	440	2,122	9,022
Liabilities				
Deposit liabilities	-	817	8	825
Other liabilities	1,468	78	16	1,562
Total Liabilities	1,468	895	24	2,387
Net Exposure	\$4,992	(\$455)	\$2,098	\$6,635
Amount in PHP	P288,762	(P26,319)	P121,359	P383,802
	December 31, 2023			
	USD	Euro	Others	Total
Assets				
Cash	\$ -	\$47	\$1,870	\$1,917
Due from other banks	1,065	1,188	822	3,075
Interbank loans	3,550	-	-	3,550
Financial assets at FVPL	-	1,747	-	1,747
Loans and receivables	1,950	20	-	1,970
Total Assets	6,565	3,002	2,692	12,259
Liabilities				
Deposit liabilities	-	736	2	738
Other liabilities	1,028	73	2	1,103
Total Liabilities	1,028	809	4	1,841
Net Exposure	\$5,537	\$2,193	\$2,688	\$10,418
Amount in PHP	P306,584	P121,426	P148,835	P576,845

The table below indicates the currencies which the Bank has significant exposure to as at December 31, 2024 and 2023 based on its foreign currency-denominated assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of other currency rates against the PHP, with all other variables held constant on the results of operations (due to the fair value of currency sensitive monetary assets and liabilities) and OCI. A negative amount in the table reflects a potential net reduction of net income or OCI while positive amount reflects a net potential increase. Changes in currency rates are based on the historical movements of each currency for the same period:

	Philippine Peso Appreciates by	Effect on Profit before Tax (In Millions)	Philippine Peso Depreciates by	Effect on Profit before Tax (In Millions)
December 31, 2024				
Currency:				
USD	P1.00	(P4.99)	(P1.00)	P4.99
Euro	0.50	0.23	(0.50)	(0.23)
Others	0.40	(0.84)	(0.40)	0.84
<hr/>				
	Philippine Peso Appreciates by	Effect on Profit before Tax (In Millions)	Philippine Peso Depreciates by	Effect on Profit before Tax (In Millions)
December 31, 2023				
Currency:				
USD	P1.00	(P5.54)	(P1.00)	P5.54
Euro	0.50	(1.10)	(0.50)	1.10
Others	0.40	(1.08.)	(0.40)	1.08

Given the nature and amount of the Bank's equity investments portfolio in 2024 and 2023, management believes the Bank's exposure to currency risk is considered minimal.

Equity Price Risk

Given the nature and amount of the Bank's equity investments portfolio in 2024 and 2023, management believes the Bank's exposure to equity price risk is considered minimal.

6. Categories and Fair Value Measurement

The methods and assumptions used by the Bank in estimating the fair values of financial and non-financial assets and liabilities are as follows:

COCI, Due from BSP and Other Banks and Interbank Loans Receivable and SPURA - Fair values approximate carrying amounts given the short-term nature of the instruments.

Debt Securities (Financial Assets at FVPL, Financial Assets at FVOCI, and Investment Securities at Amortized Cost) - Fair values are generally based on quoted market prices. If not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using discounted cash flow methodology.

Equity Securities (Financial Assets at FVOCI) - Fair values are determined based on market prices quoted in an established exchange, or on published quotes by accredited brokers.

Derivative Instruments (Financial Assets and Financial Liabilities at FVPL) - Fair values are determined based on published quotes or price valuations provided by counterparties or calculations using market-accepted valuation techniques.

Loans and Receivables - The estimated fair values of long-term receivables from customers and sales contract receivables are equal to the estimated future cash flows expected to be received which are discounted using current market rates (i.e., BVAL and USD Secured Overnight Financing Rates). Fair value of short-term receivable from customers, sales contract receivables, accounts receivables, accrued interest receivables, and RCOCI approximates carrying amounts given the short-term nature of the accounts.

Investment Properties - Fair value is determined based on valuations performed by external and in-house appraisers using the market data approach. Valuations are derived on the basis of recent sales of similar properties in the same area 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 the fair values include the following:

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 along a main road are superior to properties along a secondary road.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable confirms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
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 investor's perceptions of the market over time, in which case, the current date 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.

Deposit Liabilities - Fair values of long-term time deposits are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate (i.e., BVAL and USD Secured Overnight Financing Rates) and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term time deposits approximate fair value. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable.

Bonds and Bills Payable - For long-term bonds and bills payable, fair values are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate (i.e., BVAL and USD Secured Overnight Financing Rate and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term bonds and bills payable approximate fair value.

Manager's Checks, Accrued Interest and Other Expenses and Other Liabilities (excluding non-financial liabilities) - Carrying amounts approximate fair values due to the short-term nature of the accounts. Due to preferred shareholders is determined to be long term in nature due to a pending dispute which affects maturity. Fair value cannot be estimated reliably due to lack of available supportable data.

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 should be disclosed (amounts in thousands):

	December 31, 2024				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets Measured at Fair Value					
<i>Financial Assets</i>					
Financial assets at FVPL:					
Government securities held for trading	P2,782,361	P2,240,777	P541,584	P -	P2,782,361
Derivative assets	63,717	-	63,717	-	63,717
Private debt securities	29,556	-	-	29,556	29,556
Financial assets at FVOCI:					
Government securities	19,036,827	4,092,577	14,944,250	-	19,036,827
Equity securities	41,807	2,400	-	39,407	41,807
	P21,954,268	P6,335,754	P15,549,551	P68,963	P21,954,268
Liabilities Measured at Fair Value					
<i>Financial Liabilities</i>					
Derivative liabilities	P45,214	P -	P45,214	P -	P45,214
Assets for which Fair Values are Disclosed					
<i>Financial Assets</i>					
Investment securities at amortized cost:					
Government securities	P34,461,471	P6,544,301	P26,949,415	P -	P33,493,716
Private debt securities	2,150,197	265,575	1,715,331	-	1,980,906
Loans and receivables:					
Receivables from customers	133,829,158	-	-	136,682,790	136,682,790
Less unearned interest	67,358	-	-	67,358	67,358
	133,761,800	-	-	136,615,432	136,615,432
Sales contract receivables	278,434	-	-	291,899	291,899
	170,651,902	6,809,876	28,664,746	136,907,331	172,381,953
<i>Non-financial Assets</i>					
Investment properties	3,992,770	-	-	10,656,631	10,656,631
	P174,644,672	P6,809,876	P28,664,746	P147,563,962	P183,038,584
Liabilities for which Fair Values are Disclosed					
<i>Financial Liabilities</i>					
Deposit liabilities:					
Time	P17,916,073	P -	P17,898,536	P -	P17,898,536
Long-term negotiable certificates	5,029,420	-	5,029,420	-	5,029,420
Bonds payable	6,534,448	-	6,569,750	-	6,569,750
	P29,479,941	P -	P29,497,706	P -	P29,497,706

	December 31, 2023				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets Measured at Fair Value					
<i>Financial Assets</i>					
<i>Financial assets at FVPL:</i>					
Government securities held for trading	P180,603	P61,208	P119,395	P -	P180,603
Private debt securities	190,505	-	-	190,505	190,505
Derivative assets	27,685	-	27,685	-	27,685
<i>Financial assets at FVOCI:</i>					
Government securities	10,850,048	4,088,139	6,761,909	-	10,850,048
Equity securities	193,757	155,300	-	38,457	193,757
	P11,442,598	P4,304,647	P6,908,989	P228,962	P11,442,598
Liabilities Measured at Fair Value					
<i>Financial Liabilities</i>					
Derivative liabilities	P6,202	P -	P6,202	P -	P6,202
Assets for which Fair Values are Disclosed					
<i>Financial Assets</i>					
<i>Investment securities at amortized cost:</i>					
Government securities	P50,305,668	P20,087,916	P28,833,159	P -	P48,921,075
Private debt securities	2,165,435	343,612	1,629,236	-	1,972,848
<i>Loans and receivables:</i>					
Receivables from customers	107,624,342	-	-	110,630,437	110,630,437
Less unearned interest	45,388	-	-	45,388	45,388
	107,578,954	-	-	110,585,049	110,585,049
Sales contract receivables	331,532	-	-	345,450	345,450
	160,381,589	20,431,528	30,462,395	110,930,499	161,824,422
<i>Non-financial Assets</i>					
Investment properties	3,676,126	-	-	10,514,333	10,514,333
	P164,057,715	P20,431,528	P30,462,395	P121,444,832	P172,338,755
Liabilities for which Fair Values are Disclosed					
<i>Financial Liabilities</i>					
<i>Deposit liabilities:</i>					
Time	P16,638,541	P -	P16,609,959	P -	P16,609,959
Long-term negotiable certificates	5,029,420	-	4,909,268	-	4,909,268
Bonds payable	7,478,265	-	7,500,000	-	7,500,000
	P29,146,226	P -	P29,019,227	P -	P29,019,227

In 2024 and 2023, due to changes in market conditions for certain government securities measured at FVOCI, quoted prices in active markets were not available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities at FVPL and FVOCI, with carrying amounts of P0.5 million and P4.8 billion, respectively, in 2024 and nil and P327.4 million, respectively, in 2023 were transferred from Level 1 to Level 2 of the fair value hierarchy.

In 2024, securities at FVPL and FVOCI, with carrying amount of P141.6 million and P56.6 million, respectively, were transferred from Level 2 to Level 1 of the fair value hierarchy since quoted prices in active markets were already available. In 2023, securities at FVOCI, with carrying amounts of P394.3 million, were transferred from Level 2 to Level 1 of the fair value hierarchy.

In 2024 and 2023, there have been no transfers into and out of Level 3 of the fair value hierarchy.

An instrument in its entirety is classified as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived. The fair value of the Level 3 instruments is based on cost which approximates its fair value.

The carrying values of the financial assets and liabilities not included in the fair value hierarchy table shown above approximate their respective fair values as at December 31, 2024 and 2023.

7. Segment Reporting

The Bank's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit. Operating segments are reported in accordance with internal reporting to SET who is responsible for allocating resources to the segments and assessing their performance. Segment performance is evaluated based on net income before provision/reversal of credit and impairment losses, share in net loss of an associate, and income tax expense. The Bank's business segments follow:

Treasury Management Group - principally provides money market, trading and treasury services, as well as management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks.

Corporate Banking Group - principally handles loans and other credit facilities for corporate institutional, and middle market clients.

Branch Banking Group - principally supervises customers' deposits and offers standard customer transactional services through the branch network.

Consumer Group - principally manages home, automobile, and salary loans for individual customers.

Others - includes but not limited to Credit Cards, Transaction Banking, Investment Banking, Trust, and Acquired Assets. Other operations of the Bank also include operations and financial control groups.

Segment assets and liabilities comprise operating assets and liabilities, including borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment. Transactions between the business segments are carried out at arm's length. The Bank uses an Internal Funds Transfer Pricing rate to allocate the cost of funds or to recognize internal revenue for deposit takers. The Bank has no significant customers which contributes 10.00% or more of the Bank's revenue net of interest expense. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The segment information of the Bank for the years ended December 31, 2024, 2023 and 2022 for statements of income items, and as at December 31, 2024 and December 31, 2023 for statements of financial position items follow (amounts in millions):

	December 31, 2024					Total
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	
Statement of Income						
Net interest income:						
Third party	P2,976	P8,060	(P3,209)	P1,100	P184	P9,111
Intersegment	(1,469)	(6,661)	8,449	(824)	505	-
Net interest income	1,507	1,399	5,240	276	689	9,111
Non-interest income	124	42	83	54	1,342	1,645
Total revenues	1,631	1,441	5,323	330	2,031	10,756
Compensation and fringe benefits	24	35	572	73	1,934	2,638
General and administrative expenses	74	19	1,217	46	1,584	2,940
Taxes and licenses	206	348	455	63	23	1,095
Total expenses	304	402	2,244	182	3,541	6,673
Income (losses) before provision for credit losses and income tax expense	P1,327	P1,039	P3,079	P148	(P1,510)	P4,083
Provision for credit and impairment losses						P139
Share in net loss of an associate						1
Income tax expense						918
Net income						P3,025
Other Segment Information						
Capital expenditures	P3	P6	P67	P8	P292	P376
Depreciation and amortization	P4	P4	P86	P8	P521	P623

	December 31, 2024					Total
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	
Statement of Financial Position						
Total assets	P96,833	P121,696	P21,561	P15,249	P10,101	P265,440
Total liabilities	9,284	353	211,233	160	11,180	232,210

	December 31, 2023					Total
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	
Statement of Income						
Net interest income:						
Third party	P2,908	P7,049	(P2,707)	P958	P88	P8,296
Intersegment	(2,269)	(5,723)	7,021	(662)	1,633	-
Net interest income	639	1,326	4,314	296	1,721	8,296
Non-interest income	140	73	96	52	1,318	1,679
Total revenues	779	1,399	4,410	348	3,039	9,975
Compensation and fringe benefits	23	33	668	77	1,468	2,269
General and administrative expenses	137	17	1,078	47	1,548	2,827
Taxes and licenses	197	314	425	60	67	1,063
Total expenses	357	364	2,171	184	3,083	6,159
Income (losses) before provision for credit losses and income tax expense	P422	P1,035	P2,239	P164	(P44)	P3,816
Provision for credit and impairment losses						P79
Share in net loss of an associate						1
Income tax expense						934
Net income						P2,802
Other Segment Information						
Capital expenditures	P6	P8	P156	P3	P226	P399
Depreciation and amortization	P4	P4	P59	P7	P415	P489

	December 31, 2023					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Financial Position						
Total assets	P89,494	P96,924	P23,438	P13,022	P8,790	P231,668
Total liabilities	6,344	48	187,210	134	7,081	200,817
	December 31, 2022					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P2,171	P4,448	(P880)	P896	P47	P6,682
Intersegment	(1,602)	(3,157)	5,306	(542)	(5)	-
Net interest income	569	1,291	4,426	354	42	6,682
Non-interest income	116	154	89	40	1,035	1,434
Total revenues	685	1,445	4,515	394	1,077	8,116
Compensation and fringe benefits	20	28	620	68	1,236	1,972
General and administrative expenses	59	15	1,045	37	1,423	2,579
Taxes and licenses	143	215	433	52	90	933
Total expenses	222	258	2,098	157	2,749	5,484
Income (losses) before provision for credit losses and income tax expense	P463	P1,187	P2,417	P237	(P1,672)	P2,632
Provision for credit and impairment losses						P166
Share in net loss of an associate						-
Income tax expense						666
Net income						P1,800
Other Segment Information						
Capital expenditures	P6	P6	P57	P7	P86	P162
Depreciation and amortization	P4	P3	P53	P7	P365	P432

Non-Interest income consists of trading and investment securities gains (losses), service charges, fees and commissions, foreign exchange gains, gain on foreclosure, and sale of property and equipment and foreclosed assets and miscellaneous income.

General and administrative expenses consist of rent and utilities, depreciation and amortization, insurance, service fees and commissions, subscription fees, entertainment and recreation, management and professional fees, amortization of software costs and miscellaneous expense.

8. Interbank Loans Receivable and Securities Purchased under Resale Agreements

This account consists of:

	<i>Note</i>	2024	2023
Interbank loans receivable		P3,587,849,088	P2,141,147,187
SPURA		-	17,973,348,893
		3,587,849,088	20,114,496,080
Less allowance for credit losses	17	484,360	2,715,457
		P3,587,364,728	P20,111,780,623

Interbank loans receivable consists of short-term loans granted to other banks.

SPURA represents overnight lending placements with the BSP where the underlying securities cannot be sold or re-pledged to parties other than the BSP.

Interest income on SPURA and interbank loans receivable follows:

	2024	2023	2022
SPURA	P430,247,101	P746,318,560	P475,286,408
Interbank loans receivable	111,800,877	129,387,516	63,872,487
	P542,047,978	P875,706,076	P539,158,895

SPURA bears interest rates ranging from 5.9% to 6.7% in 2024, from 5.5% to 6.4% in 2023 and from 2.0% to 5.5% in 2022.

Peso-denominated interbank loans receivable bear interest rates ranging from 5.8% to 6.6% in 2024, from 5.5% to 6.5% in 2023 and from 1.8% to 5.0% in 2022. Dollar-denominated interbank loans receivable bear interest rates ranging from 4.2% to 5.8%, from 3.0% to 5.6%, and from 0.5% to 3.8% in 2024, 2023 and 2022, respectively.

9. Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial assets at FVPL consist of:

	2024	2023
Government securities held-for-trading	P2,782,360,563	P180,602,626
Derivative assets	63,717,369	27,685,000
Private debt securities	29,555,862	190,504,814
	P2,875,633,794	P398,792,440

Private debt securities pertain to investment in MRT III bonds that does not qualify as SPPI, thus, mandatorily classified and measured as financial assets at FVPL.

As at December 31, 2024, 2023, and 2022, financial assets at FVPL are adjusted for unrealized loss of P1.0 million and unrealized gain of P22.8 million and P3.0 million, respectively (see Note 28).

Derivative Financial Instruments

This includes warrants amounting to \$0.05 million acquired by the Bank in June 2008. The warrants give the Bank the option or right to exchange its holding of certain Republic of the Philippines Global Bonds into peso-denominated government securities upon occurrence of a predetermined credit event. The warrants will mature in November 2032.

Forward swaps refer to spot purchase or sale of one currency against another with an offsetting agreement to sell or purchase the same currency at an agreed forward rate in the future. As at December 31, 2024, these pertain to 13 contracts with notional amount of \$5 million each and three contracts with notional amount of \$10 million each. As at December 31, 2023, these pertain to two contracts with notional amount of \$1.0 million each, two contracts with notional amount of \$5.0 million each and two contracts with notional amount of \$10.0 million each.

The table below shows the fair values of derivative financial instruments entered into by the Bank, recorded as derivative assets or derivative liabilities, together with the notional amount. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amount indicates the volume of transactions outstanding as at December 31, 2024 and 2023 and is not indicative of either market risk or credit risk.

	December 31, 2024		December 31, 2023	
	Derivative Assets	Notional Amount	Derivative Assets	Notional Amount
Freestanding derivatives:				
Forwards	P34,794,869	\$50,000,000	P -	\$ -
Warrants	28,922,500	50,000	27,685,000	50,000
	P63,717,369	\$50,050,000	P27,685,000	\$50,000

	December 31, 2024		December 31, 2023	
	Derivative Liabilities	Notional Amount	Derivative Liabilities	Notional Amount
Freestanding derivatives:				
Forwards	P45,214,075	\$45,000,000	P6,201,649	\$32,000,000

10. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	2024	2023
Government securities	P19,036,826,434	P10,850,047,722
Equity securities	41,807,401	193,757,106
	P19,078,633,835	P11,043,804,828

As at December 31, 2024 and 2023, the ECL allowance on debt securities at FVOCI included under "Net unrealized losses on financial assets at FVOCI" amounted to P1.9 million and P1.1 million, respectively (see Note 17).

Equity Securities

This account consists of ordinary shares from a foreign financial institution and a telecommunications company and club shares. The Bank has designated these equity securities at FVOCI as these are held for medium or long-term strategic investments rather than for trading.

Equity securities include the Bank's 3.07% equity interest in Banco Nacional de Guinea Equatorial (BANGE) as part of its partnership with the National Government of the Republic of Equatorial Guinea. The carrying amount of the equity securities amounted to P19.1 million and P19.4 million, respectively, as at December 31, 2024 and 2023. Dividend income received from BANGE in 2024 and 2023 amounted to P2.5 million and P4.0 million, respectively, booked under "Miscellaneous Income" in the statements of income (see Note 31). No dividend was received from BANGE in 2022.

In 2024, 2023, and 2022, the Bank disposed club shares with carrying value of P98.7 million, P0.9 million, and P0.8 million, respectively, and transferred to "Retained earnings" account the realized gain of P82.3 million, P7.5 million, and P0.3 million in 2024, 2023, and 2022, respectively, in order to achieve the bank's strategy to derecognize from the books club shares that were no longer in use.

Dividend income from equity securities at FVOCI amounted to P3.9 million, P5.6 million, and P1.6 million in 2024, 2023, and 2022, respectively (see Note 31).

Net Unrealized Losses on Financial Assets at FVOCI

The movements of net unrealized gains (losses) on financial assets at FVOCI follow:

	Note	2024	2023	2022
Balance at beginning of year		(P421,192,531)	(P730,966,925)	(P156,154,761)
Net unrealized gains (losses) recognized as OCI		(29,535,641)	324,174,117	(574,495,027)
Realized gains taken to profit or loss	28	(1,623,076)	(6,964,361)	-
Effect of tax	32	(946,234)	(363,597)	-
ECL on debt securities at FVOCI	17	838,797	455,690	(27,137)
Net change in unrealized gains (losses) recorded in OCI		(31,266,154)	317,301,849	(574,522,164)
Realized gains taken to retained earnings		(82,303,000)	(7,527,455)	(290,000)
Balance at end of year		(P534,761,685)	(P421,192,531)	(P730,966,925)

11. Investment Securities at Amortized Cost

This account consists of:

	Note	2024	2023
Government securities		P34,465,484,615	P50,311,649,891
Private debt securities	33	2,150,432,619	2,165,662,758
		36,615,917,234	52,477,312,649
Less allowance for credit losses	17	4,248,853	6,209,355
		P36,611,668,381	P52,471,103,294

No investment securities at amortized cost were sold in 2024, 2023 and 2022.

12. Loans and Receivables

This account consists of:

	<i>Note</i>	2024	2023
Receivables from customers:			
Term loans		P102,819,507,055	P81,196,871,925
Agri-agra loans		13,757,055,407	11,681,545,957
Housing loans		9,564,719,568	8,454,302,941
Auto loans		5,079,022,446	4,123,415,068
Bills purchased, import bills and trust receipts	22	1,227,464,415	1,050,698,899
Direct advances		364,009,899	577,211,848
Others		2,668,785,562	2,368,875,299
		135,480,564,352	109,452,921,937
Less unearned interest income		67,358,184	45,387,843
		135,413,206,168	109,407,534,094
Accounts receivable		1,573,836,315	1,055,139,512
Accrued interest receivable:			
Loans and receivables		1,065,846,459	946,846,228
Trading and investment securities		665,093,026	483,609,311
Due from BSP and other banks		20,766,667	4,357,778
Interbank loans receivable and SPURA		2,181,497	8,257,598
Sales contract receivables		334,864,748	388,560,627
Unquoted debt securities		291,578,217	291,578,212
RCOCI		5,152,412	93,452
		139,372,525,509	112,585,976,812
Less allowance for credit losses	17	2,867,185,128	3,019,800,493
		P136,505,340,381	P109,566,176,319

Bills purchased, import bills and trust receipts include bills purchased with contra account in "Bills purchased - contra" under "Other Liabilities" in the statements of financial position amounting to P0.8 billion and P1.0 billion as at December 31, 2024 and 2023, respectively (see Notes 22 and 33). Bills purchased - contra represents liabilities arising from the outright purchases of checks due for clearing as a means of immediate financing offered by the Bank to its clients.

Other receivables from customers pertain to consumer loans such as benefit loans, salary loans, and credit cards.

Accounts receivable mainly consist of amounts due from customers and other parties under open-account arrangements, advances for buyers of foreclosed properties, receivables from employees and other miscellaneous receivables.

Sales contract receivables arise mainly from the sale of foreclosed properties booked under "Investment properties" accounts.

On March 25, 2020, Republic Act (RA) No. 11469, otherwise known as the Bayanihan to Heal as One Act (“Bayanihan 1”) was enacted. Bayanihan 1 provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest falling due within the enhanced community quarantine period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, RA No. 11494, otherwise known as the Bayanihan to Recover as One Act (“Bayanihan 2”), was enacted. Under Bayanihan 2, 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 interest, penalties, fees and other charges, thereby extending the maturity of the said loans.

Based on the Bank’s assessment, 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. The impact of loan modifications amounted to a loss of P29.6 million in 2020. In 2024, 2023 and 2022, accretion of loan modification that were recorded in “Interest income” in the statements of income amounted to P2.4 million, P3.4 million, and P5.1 million, respectively.

BSP Regulatory Reporting

As at December 31, 2024 and 2023, the breakdown of receivables from customers as to collateral follows (amounts in thousands, except percentages):

	2024		2023	
	Amount	%	Amount	%
Loans secured by:				
Real estate	P14,346,526	10.6	P6,564,727	6.0
Deposit hold-out	4,968,854	3.7	5,194,467	4.8
Continuing surety agreement	4,761,602	3.5	4,306,977	3.9
Deed of pledge	4,552,022	3.4	7,983,973	7.3
Chattel	2,267,390	1.7	2,280,780	2.1
Deed of assignment	1,521,330	1.1	1,362,971	1.2
Corporate guaranty	1,079,000	0.8	1,331,763	1.2
Others*	20,975,312	15.4	31,992,124	29.2
	54,472,036	40.2	61,017,782	55.7
Unsecured	81,008,528	59.8	48,435,140	44.3
	P135,480,564	100.0	P109,452,922	100.0

*Others include post-dated checks and various collaterals on omnibus loan and security agreement

As at December 31, 2024 and 2023, information on the concentration of credit as to industry follows (amounts in thousands, except percentages):

	2024		2023	
	Amount	%	Amount	%
Electricity, gas, steam, and air-conditioning supply	P45,497,015	33.6	P39,122,670	35.8
Real estate activities	25,014,466	18.5	18,848,608	17.2
Construction	12,386,390	9.1	11,705,416	10.7
Manufacturing	11,196,631	8.3	10,917,610	10.0
Financial and insurance activities	7,176,445	5.3	2,554,721	2.3
Wholesale and retail trade, repair of motor vehicles and motorcycles	7,043,723	5.2	5,957,919	5.4
Information and communication	5,792,384	4.3	4,973,415	4.6
Agriculture, forestry and fishing	3,871,709	2.8	1,898,948	1.7
Accommodation and food service activities	3,151,640	2.3	1,549,064	1.4
Transportation and storage	2,874,147	2.1	1,328,555	1.2
Mining and quarrying	1,966,730	1.5	1,882,580	1.7
Water supply, sewerage, waste management and remediation activities	1,324,212	1.0	1,380,895	1.3
Administrative and support service activities	206,588	0.1	541,078	0.5
Others*	7,978,484	5.9	6,791,443	6.2
	P135,480,564	100.0	P109,452,922	100.0

*Others include Professional Activities, Education, Personal Consumption and other various activities

BSP considers that concentration of credit risk exists when the total loan exposure to a particular industry or economic sector exceeds 30.0% of total loan portfolio or 10.0% of Tier 1 capital.

As at December 31, 2024 and 2023, the table above includes one industry group (electricity, gas, steam and air-conditioning supply) above the 30.0% of the total loan portfolio. However, the Bank has internal sub-classifications for renewable and non-renewable energy under electricity and power industry with separate limits (for renewable energy- 25.0% of the total loan portfolio, non-renewable energy- 30.0%). Existing exposures as at December 31, 2024 and 2023 for this industry are within the acceptable levels. As at December 31, 2024, existing exposures for renewable energy and non-renewable energy were at 12.0% and 21.6%, respectively, of the total loan portfolio. As at December 31, 2023, existing exposures for renewable energy and non-renewable energy were at 14.9% and 20.8%, respectively, of the total loan portfolio.

As at December 31, 2024, 10.0% of the Tier 1 capital amounted to P3.0 billion and the table above includes the nine industry groups (Electricity, gas, steam and air-conditioning supply, Real estate activities, Construction, Manufacturing, Financial and insurance activities, Wholesale and retail trade, repair of motor vehicles and motorcycles, Information and communications, Agriculture, forestry and fishing and Accommodation and food service activities) exceeding this level as of that date.

The table also includes the six industry groups (Electricity, gas, steam and air-conditioning supply, Real estate activities, Manufacturing, Construction, Wholesale and retail trade, repair of motor vehicles and motorcycles and Information and communications) above the 10.0% of Tier 1 capital (P2.7 billion) as at December 31, 2023.

The BROC and CRECOM constantly monitor these credit risk concentrations to ensure these are within the risk appetite of the Bank. Limits are set to allow SET to highlight any possible issues and to actively direct loans to preferred industries when faced with emerging concentration and potential industry decline.

Under BSP Circular No. 941, *Amendments to the Regulations on Past Due and Non-Performing Loans*, loans, investments, receivables, or any financial asset shall be 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 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

As at December 31, 2024 and 2023, the breakdown of receivables from customers as to status, is as follows (amounts in thousands):

	December 31, 2024		
	Performing	Non-performing	Total
Corporate	P116,539,281	P756,163	P117,295,444
Consumers	14,762,658	644,052	15,406,710
Credit card	1,537,700	248,451	1,786,151
Others	879,277	45,624	924,901
	P133,718,916	P1,694,290	P135,413,206

	December 31, 2023		
	Performing	Non-performing	Total
Corporate	P92,720,144	P782,498	P93,502,642
Consumers	12,359,497	911,470	13,270,967
Credit card	1,361,326	217,212	1,578,538
Others	1,004,755	50,632	1,055,387
	P107,445,722	P1,961,812	P109,407,534

As at December 31, 2024 and 2023, the NPLs of the Bank, as reported to BSP, are as follows (in thousands):

	2024	2023
Gross NPLs	P1,694,290	P1,961,812
Less deductions as required by BSP	1,027,873	1,394,550
Net NPLs	P666,417	P567,262

Gross and net NPL ratios of the Bank are 1.25% and 0.49%, respectively, as at December 31, 2024 and 1.54% and 0.44%, respectively, as at December 31, 2023.

As at December 31, 2024 and 2023, restructured loans amounted to P0.9 billion and P1.0 billion, respectively. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs. As at December 31, 2024 and 2023, restructured receivables from customers considered as NPLs amounted P668.2 million and P456.9 million, respectively.

On March 14, 2020, the BSP issued BSP Memorandum No. M-2020-008 Regulatory Reliefs for BSP-supervised financial institutions Affected by the COVID-19, as amended by M-2020-0032 dated April 27, 2020 and M-2020-0022 dated April 8, 2020. The said memorandum provides for certain temporary regulatory relief measures for financial institutions supervised by the BSP, as follows:

- Staggered booking of allowance for credit losses over a maximum of five years for all types of credits extended to individuals and businesses directly affected by COVID-19 as of March 8, 2020, subject to prior approval of the BSP;
- Exclusion from the computation of past due and non-performing classification, the loans by borrowers in affected areas which should have been reclassified as past due as of March 8, 2020, including those loans becoming past due or non-performing six months thereafter, subject to the following: (a) such loans shall be reported to the BSP; (b) the exclusion shall be allowed from March 8, 2020 until December 31, 2021; and (c) BSP documentary requirements for restructuring of loans may be waived provided that the Bank will adopt appropriate and prudent operational control measures;
- Non-imposition of monetary penalties for delays incurred in the submission of all supervisory reports to BSP due to be submitted from March 8, 2020 up to six months thereafter;
- Non-imposition of penalties on legal reserve deficiencies computed under Section 255 of the MORB starting from reserve week following March 8, 2020 up to six months thereafter, subject to prior approval of the BSP;
- Increase in the Single Borrower's Limit from 25.0% to 30.0% until March 31, 2021;
- Allowance of (a) loans to Micro, Small and Medium Enterprises and (b) loans to critically-impacted large enterprises as alternative mode of compliance with reserve requirements until December 31, 2021; and
- Provision of financial assistance to officers affected by the present health emergency, for the grant of loans, advances or any other forms of credit accommodations, subject to the submission by the Bank of a request for BSP approval within 30 calendar days from the approval thereof of the BOD.

As of December 31, 2024 and 2023, there has been no availment of the reliefs provided by BSP.

Interest Income on Loans and Receivables

This account consists of:

	2024	2023	2022
Receivables from customers:			
Term loans	P6,855,178,084	P6,145,776,140	P4,258,299,628
Agri-agra loans	1,117,870,332	817,533,328	117,546,235
Housing loans	640,753,034	566,980,066	533,304,245
Auto loans	361,304,335	297,279,192	247,631,545
Direct advances	14,761,046	18,960,417	15,944,868
Bills purchased, import bills and trust receipts	6,355,704	1,704,583	5,908,431
Others	407,824,691	371,451,465	264,901,980
	9,404,047,226	8,219,685,191	5,443,536,932
Sales contract receivable	24,489,114	24,987,312	21,691,954
	P9,428,536,340	P8,244,672,503	P5,465,228,886

*Others pertain to interest income from consumer loans such as benefit loans, salary loans, and credit cards.

As at December 31, 2024, 2023, and 2022, 63.5%, 60.3%, and 55.7%, respectively, of the total receivables from customers were subject to periodic interest repricing.

Peso-denominated loans earn annual fixed interest rates ranging from 2.8% to 28.8% in 2024, from 2.5% to 28.8% in 2023, and from 1.6% to 54.0% in 2022. Dollar-denominated loans earn annual fixed interest rates ranging from 3.5% to 8.8% in 2024, from 3.5% to 9.8% in 2023, and 3.3% to 8.7% in 2022.

Sales contract receivables bear fixed interest rates ranging from 5.3% to 11.6% in 2024, 2023, and 2022.

13. Investment in an Associate

The movements in Bank's equity investment in BIC follow:

	Note	2024	2023	2022
Acquisition cost (24.26%-owned)		P75,395,200	P75,395,200	P75,395,200
Accumulated equity in net loss and OCI:				
Balance at beginning of year		(33,935,650)	(29,946,787)	(29,807,825)
Share in net loss		(610,815)	(782,580)	(133,185)
Share in other comprehensive loss		(490,444)	(3,206,283)	(5,777)
Balance at end of year		(35,036,909)	(33,935,650)	(29,946,787)
Allowance for impairment loss	17	(5,925,786)	(5,925,786)	(5,925,786)
	33	P34,432,505	P35,533,764	P39,522,627

	December 31, 2022						Total
	Note	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	
Cost							
Balance at January 1		P41,569,630	P872,187,818	P1,570,377,529	P853,087,118	P972,959,420	P4,310,181,515
Additions		-	3,561,570	162,015,036	16,779,522	159,277,079	341,633,207
Disposals		-	-	(103,416,400)	-	(96,701,381)	(200,117,781)
Balance at December 31		41,569,630	875,749,388	1,628,976,165	869,866,640	1,035,535,118	4,451,696,941
Less Accumulated Depreciation and Amortization							
Balance at January 1		-	265,538,777	1,261,865,760	799,505,168	504,717,541	2,831,627,246
Depreciation and amortization		-	23,171,377	96,886,118	21,719,160	194,086,444	335,863,099
Disposals		-	-	(50,666,535)	-	(96,701,381)	(147,367,916)
Balance at December 31		-	288,710,154	1,308,085,343	821,224,328	602,102,604	3,020,122,429
Allowance for impairment losses	17	5,022,885	1,133,017	-	-	-	6,155,902
Net Book Value at December 31		P36,546,745	P585,906,217	P320,890,822	P48,642,312	P433,432,514	P1,425,418,610

In 2024, 2023 and 2022, the net gains on sale of property and equipment included under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the statements of income amounted to P0.6 million, P0.9 million and P0.1 million, respectively.

As at December 31, 2024 and 2023, the cost of fully depreciated property and equipment still in use amounted to P1.7 billion and P1.8 billion, respectively.

15. Investment Properties

The movements in investment properties follow:

	Note	December 31, 2024		
		Land	Buildings	Total
Balance at January 1		P3,404,733,373	P1,397,867,451	P4,802,600,824
Additions		30,560,377	472,491,298	503,051,675
Disposals		(111,002,630)	(30,819,703)	(141,822,333)
Write-off		(6,929,672)	-	(6,929,672)
Balance at December 31		3,317,361,448	1,839,539,046	5,156,900,494
Less Accumulated Depreciation				
Balance at January 1		-	876,516,450	876,516,450
Depreciation		-	116,089,583	116,089,583
Disposal		-	(19,805,625)	(19,805,625)
Write-off		-	-	-
Balance at December 31		-	972,800,408	972,800,408
Less Allowance for Impairment Losses	17	186,597,978	4,731,948	191,329,926
		P3,130,763,470	P862,006,690	P3,992,770,160

	Note	December 31, 2023		
		Land	Buildings	Total
Balance at January 1		P3,194,101,578	P1,232,705,893	P4,426,807,471
Additions		358,235,659	230,367,748	588,603,407
Disposals		(137,068,053)	(63,508,658)	(200,576,711)
Write-off		(10,535,811)	(1,697,532)	(12,233,343)
Balance at December 31		3,404,733,373	1,397,867,451	4,802,600,824
Less Accumulated Depreciation				
Balance at January 1		-	824,917,030	824,917,030
Depreciation		-	103,128,616	103,128,616
Disposal		-	(49,972,740)	(49,972,740)
Write-off		-	(1,556,456)	(1,556,456)
Balance at December 31		-	876,516,450	876,516,450
Less Allowance for Impairment Losses	17	245,057,307	4,900,569	249,957,876
		P3,159,676,066	P516,450,432	P3,676,126,498

	Note	December 31, 2022		
		Land	Buildings	Total
Balance at January 1		P3,223,880,496	P1,194,131,603	P4,418,012,099
Additions		84,976,590	84,393,604	169,370,194
Disposals		(114,755,508)	(45,819,314)	(160,574,822)
Balance at December 31		3,194,101,578	1,232,705,893	4,426,807,471
Less Accumulated Depreciation				
Balance at January 1		-	778,421,466	778,421,466
Depreciation		-	81,156,976	81,156,976
Disposal		-	(34,661,412)	(34,661,412)
Balance at December 31		-	824,917,030	824,917,030
Less Allowance for Impairment				
Losses	17	198,932,553	2,971,139	201,903,692
		P2,995,169,025	P404,817,724	P3,399,986,749

As at December 31, 2024 and 2023, the aggregate market value of investment properties amounted to P10.7 billion and P10.5 billion, respectively. Information about the fair value measurement of investment properties is presented in Note 6.

Gain on foreclosure and sale of investment properties included under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" consists of the following:

	2024	2023	2022
Gain on foreclosure	P173,000,899	P284,652,924	P63,491,307
Gain on assets sold	149,917,862	196,428,853	262,092,188
	P322,918,761	P481,081,777	P325,583,495

In 2022, rental income on investment properties (included in "Miscellaneous income" account in the statements of income) amounted P0.6 million (see Note 31). No rental income on investment properties was received in 2024 and 2023.

Direct operating expenses on investment properties that generated rental income (included under "Rent and utilities" account, "Litigation and acquired assets-related expenses" in "Other expenses - miscellaneous" account and "Taxes and licenses" account in the statements of income) amounted to P0.01 million in 2022. No direct operating expenses on investment properties that generated rental income were incurred in 2024 and 2023. Direct operating expenses on investment properties such as security and insurance expenses, included under "Rent and utilities" account, litigation expenses, included under "Litigation and acquired assets-related expenses" in "Other expenses - miscellaneous" account, and real estate taxes, included under "Taxes and licenses" account in the statements of income, that did not generate rental income in 2024, 2023, and 2022 amounted to P104.3 million, P83.7 million, and P91.6 million, respectively (see Note 31).

16. Other Assets

This account consists of:

	<i>Note</i>	2024	2023
Miscellaneous assets - TRB	34	P4,348,088,462	P4,348,092,231
Creditable withholding tax		2,507,941,075	2,099,842,660
Intangible assets*		501,929,014	369,413,076
Retirement assets	29	427,290,277	-
Sinking fund	24	301,145,218	290,118,112
Prepaid expenses		236,300,582	89,947,796
Documentary stamps		166,665,788	135,513,421
Other properties acquired*		66,500,954	73,493,952
Others		212,297,920	301,848,371
		8,768,159,290	7,708,269,619
Less allowance for impairment losses	17	4,438,022,445	4,438,055,610
		P4,330,136,845	P3,270,214,009

**net of accumulated amortization/depreciation, gross of allowance for impairment losses*

Miscellaneous Assets - TRB

This account includes non-performing assets (NPAs) amounting to P4.3 billion as at December 31, 2024 and 2023 which were assumed by the Bank in connection with the Purchase and Sale Agreement (PSA) entered into by the Bank with Traders Royal Bank (TRB) in 2002 (see Note 34). Pursuant to the requirements of PFRS, the allowance for impairment losses on the NPAs amounting to P4.3 billion as at December 31, 2024 and 2023, were charged in full in the period incurred.

For its separate prudential reporting to BSP, the Bank was allowed under the MB Resolution No. 1751, dated November 8, 2001, as further amended by MB Resolution No. 489, dated April 3, 2003 and pursuant to MB Resolution No. 1950, dated November 21, 2013, to defer the full recognition of the impairment losses. The Bank annually recognizes provisions for impairment losses to gradually meet the foregoing provisioning requirement based on the net yield earned by the Bank from the Financial Assistance Agreement (FAA) with Philippine Deposit Insurance Corporation (PDIC) until November 29, 2013 when the collateralized government securities was sold and the obligation was fully settled. In 2022, the Bank recognized P1.3 billion provisions for prudential reporting to BSP to fully recognize the impairment losses on the NPAs (see Note 34).

Intangible Assets

Intangible assets consist of:

	<i>Note</i>	2024	2023
Software costs*		P441,929,014	P309,413,076
Branch licenses		60,000,000	60,000,000
		501,929,014	369,413,076
Less allowance for impairment losses	17	-	-
		P501,929,014	P369,413,076

**net of accumulated amortization, gross of allowance for impairment losses*

Movements in software costs follow:

	2024	2023	2022
Cost			
Balance at January 1	P1,074,904,202	P1,027,748,294	P926,851,659
Additions	228,113,759	149,908,692	100,896,635
Write-off	-	(102,752,784)	-
Balance at end of year	1,303,017,961	1,074,904,202	1,027,748,294
Less Accumulated Amortization			
Balance at January 1	765,491,126	701,223,986	628,155,881
Amortization for the year	95,597,821	76,741,228	73,068,105
Write-off	-	(12,474,088)	-
Balance at end of year	861,088,947	765,491,126	701,223,986
Less Allowance for Impairment Losses	-	-	90,278,696
Net Book Value	P441,929,014	P309,413,076	P236,245,612

Other Properties Acquired

Movements in the other properties acquired follow:

	Note	2024	2023	2022
Cost				
Balance at January 1		P283,409,284	P245,108,000	P220,284,000
Additions		71,813,000	86,927,784	87,394,500
Disposals		(148,067,726)	(48,626,500)	(62,570,500)
Reclassification	14	(2,299,000)	-	-
Balance at end of year		204,855,558	283,409,284	245,108,000
Less Accumulated Depreciation				
Balance at January 1		209,915,332	201,981,840	199,868,958
Depreciation for the year		30,719,655	19,948,439	14,643,389
Disposals		(100,872,272)	(12,014,947)	(12,530,507)
Reclassification	14	(1,408,111)	-	-
Balance at end of year		138,354,604	209,915,332	201,981,840
Less Allowance for Impairment Losses		-	-	96,485
Net Book Value		P66,500,954	P73,493,952	P43,029,675

In 2024, 2023 and 2022, gain on foreclosure amounted to P3.6 million, P4.7 million and P3.5 million, respectively. Gain on sale of other properties acquired under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" amounted to P14.4 million, P8.7 million, and P11.2 million in 2024, 2023 and 2022, respectively.

Others include security deposit, unused supplies and forms and petty cash fund.

17. Allowance for Credit and Impairment Losses

Movements in ECL allowances in 2024, 2023 and 2022 on financial assets, other than loans and receivables, are summarized as follows (amounts in thousands):

	December 31, 2024					
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	Total
ECL allowance, January 1, 2024	P3,277	P142	P2,715	P1,090	P6,209	13,433
Provision for credit and impairment losses for the year	3,192	366	(2,245)	836	(1,977)	172
Foreign exchange differences	-	8	14	3	17	42
ECL allowance, December 31, 2024	P6,469	P516	P484	P1,929	P4,249	P13,647

	December 31, 2023					
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	Total
ECL allowance, January 1, 2023	P3,197	P141	P2,481	P634	P6,069	P12,522
Provision for credit and impairment losses for the year	80	2	238	456	145	921
Foreign exchange differences	-	(1)	(4)	-	(5)	(10)
ECL allowance, December 31, 2023	P3,277	P142	P2,715	P1,090	P6,209	P13,433

	December 31, 2022					
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	Total
ECL allowance, January 1, 2022	P6,125	P141	P2,583	P662	P5,761	P15,272
Provision for (reversal of) credit and impairment losses for the year	(2,928)	(7)	(144)	(37)	220	(2,896)
Foreign exchange differences	-	7	42	9	88	146
ECL allowance, December 31, 2022	P3,197	P141	P2,481	P634	P6,069	P12,522

All accounts above were carried at Stage 1 and there were no transfers into and out of Stage 1 in 2024, 2023 and 2022.

The ECL allowance on financial assets at FVOCI is included in the "Net unrealized losses on financial assets at FVOCI" account in the statements of financial position (see Note 10).

As at December 31, 2024 and 2023, ECL on off-balance sheet exposures amounted to P45.8 million and P23.7 million, respectively, (see Note 22). In 2024, 2023 and 2022, the Bank recognized provision for (reversal of) ECL on loan commitment and financial guarantees amounting to P22.1 million, (P10.0 million), and (P36.9 million), respectively.

In 2024 and 2023, the Bank recognized a reversal of allowance for credit losses on loans and receivables amounting to P10.8 million and P238.9 million, respectively, which is included under "Provision for credit and impairment losses" account in the statements of income, as a result of the recalibration of its existing ECL framework to incorporate the most recent data and developments in the macroeconomic environment of the Bank (see Notes 3 and 4). The amount of the effect in future periods is not disclosed because estimating the impact is impracticable.

The table below summarizes the movements in ECL allowances on loans and receivables in 2024, 2023 and 2022 (amounts in thousands).

	December 31, 2024										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2024	P190,471	P7,863	P3,948	P2,202	P107	P16,849	P39,707	P261,147	P2,825	P5,111	P269,083
Provision for credit and impairment losses	234,684	5,969	16,593	1,623	36	31,006	24,593	314,504	(363)	9,109	323,250
Transfer from Stage 1	(136,965)	(10,510)	(12,750)	-	(37)	(4,901)	(4,988)	(170,151)	(124)	(2,580)	(172,855)
Transfer from Stage 2	-	136	58	-	-	-	26	220	26	4	250
Transfer from Stage 3	-	120	1	-	-	-	1	122	25	1	148
Foreign exchange differences	698	1	-	-	-	414	102	1,215	-	9	1,224
	288,888	3,579	7,850	3,825	106	43,368	59,441	407,057	2,389	11,654	421,100
Stage 2											
ECL Loans, January 1, 2024	132,854	17,282	4,122	-	29	76	17,461	171,824	52	23,606	195,482
Provision for credit and impairment losses	(9,137)	(13,084)	(2,547)	-	(29)	(76)	(155)	(25,028)	(18)	4,531	(20,515)
Transfer from Stage 1	85,013	5,542	6,919	-	37	4,901	1,377	103,789	52	1,081	104,922
Transfer from Stage 2	(104,932)	(2,503)	(1,118)	-	-	-	(430)	(108,983)	(35)	(2,786)	(111,804)
Transfer from Stage 3	-	367	44	-	-	-	22	433	4	8	445
Foreign exchange differences	-	-	-	-	-	-	31	31	-	14	45
	103,798	7,604	7,420	-	37	4,901	18,306	142,066	55	26,454	168,575
Stage 3											
ECL Loans, January 1, 2024	407,680	172,340	232,543	89,470	121,242	185,708	186,626	1,395,609	54,151	1,105,475	2,555,235
Provision for credit and impairment losses	(94,399)	(101,281)	20,431	(12,679)	-	(47,424)	76,388	(158,964)	(217)	25,318	(133,863)
Transfer from Stage 1	51,952	4,968	5,831	-	-	-	3,611	66,362	72	1,499	67,933
Transfer from Stage 2	104,932	2,367	1,060	-	-	-	404	108,763	9	2,782	111,554
Transfer from Stage 3	-	(487)	(45)	-	-	-	(23)	(555)	(29)	(9)	(593)
Movement due to foreclosure/settlement	-	(4,523)	(16,409)	-	-	-	-	(20,932)	-	(2,852)	(23,784)
Write-off	(168,339)	-	-	(33,123)	(51,673)	-	(40,315)	(293,450)	-	(15,538)	(308,988)
Foreign exchange differences	2,941	117	-	2,259	-	-	134	5,451	-	4,565	10,016
	304,767	73,501	243,411	45,927	69,569	138,284	226,825	1,102,284	53,986	1,121,240	2,277,510
Total											
ECL Loans, January 1, 2024	731,005	197,485	240,613	91,672	121,378	202,633	243,794	1,828,580	57,028	1,134,192	3,019,800
Provision for credit and impairment losses	131,148	(108,396)	34,477	(11,056)	7	(16,494)	100,826	130,512	(598)	38,958	168,872
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(4,523)	(16,409)	-	-	-	-	(20,932)	-	(2,852)	(23,784)
Write-off	(168,339)	-	-	(33,123)	(51,673)	-	(40,315)	(293,450)	-	(15,538)	(308,988)
Foreign exchange differences	3,639	118	-	2,259	-	414	267	6,697	-	4,588	11,285
	P697,453	P84,684	P258,681	P49,752	P69,712	P186,553	P304,572	P1,651,407	P56,430	P1,159,348	P2,867,185

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOCI

December 31, 2023

	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2023	P180,639	P18,421	P35,735	P2,958	P120	P5,126	P57,970	P300,969	P2,632	P6,360	P309,961
Provision for credit and impairment losses	41,589	11,126	(25,378)	4,267	16	66,261	(15,519)	82,362	266	777	83,405
Transfer from Stage 1	(31,876)	(22,190)	(6,572)	(5,023)	(29)	(54,499)	(2,743)	(122,932)	(108)	(2,040)	(125,080)
Transfer from Stage 2	214	306	161	-	-	-	15	696	9	12	717
Transfer from Stage 3	-	200	2	-	-	-	3	205	26	3	234
Foreign exchange differences	(95)	-	-	-	-	(39)	(19)	(153)	-	(1)	(154)
	190,471	7,863	3,948	2,202	107	16,849	39,707	261,147	2,825	5,111	269,083
Stage 2											
ECL Loans, January 1, 2023	82,939	9,121	26,246	-	286	6,904	13,361	138,857	39	20,702	159,598
Provision for credit and impairment losses	50,129	(658)	(20,901)	-	(286)	124,381	3,572	156,237	(26)	6,945	163,156
Transfer from Stage 1	-	11,620	3,158	-	29	49	968	15,824	49	527	16,400
Transfer from Stage 2	(214)	(4,525)	(4,489)	-	-	(131,258)	(461)	(140,947)	(12)	(4,610)	(145,569)
Transfer from Stage 3	-	1,724	108	-	-	-	24	1,856	2	44	1,902
Foreign exchange differences	-	-	-	-	-	-	(3)	(3)	-	(2)	(5)
	132,854	17,282	4,122	-	29	76	17,461	171,824	52	23,606	195,482
Stage 3											
ECL Loans, January 1, 2023	465,848	144,276	341,668	88,174	133,007	17,663	612,085	1,802,721	54,298	1,134,017	2,991,036
Provision for credit and impairment losses	(36,546)	20,645	(107,031)	-	-	(17,663)	38,990	(101,605)	(181)	(31,153)	(132,939)
Transfer from Stage 1	31,876	10,570	3,414	5,023	-	54,450	1,775	107,108	59	1,513	108,680
Transfer from Stage 2	-	4,219	4,328	-	-	131,258	446	140,251	3	4,598	144,852
Transfer from Stage 3	-	(1,924)	(110)	-	-	-	(27)	(2,061)	(28)	(47)	(2,136)
Movement due to foreclosure/settlement	(9,580)	(5,422)	(9,726)	-	-	-	-	(24,728)	-	(1,340)	(26,068)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Foreign exchange differences	(491)	(24)	-	(351)	-	-	(166)	(1,032)	-	(713)	(1,745)
	407,680	172,340	232,543	89,470	121,242	185,708	186,626	1,395,609	54,151	1,105,475	2,555,235
Total											
ECL Loans, January 1, 2023	729,426	171,818	403,649	91,132	133,413	29,693	683,416	2,242,547	56,969	1,161,079	3,460,595
Provision for credit and impairment losses	55,172	31,113	(153,310)	4,267	(270)	172,979	27,043	136,994	59	(23,431)	113,622
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	(9,580)	(5,422)	(9,726)	-	-	-	-	(24,728)	-	(1,340)	(26,068)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Foreign exchange differences	(586)	(24)	-	(351)	-	(39)	(188)	(1,188)	-	(716)	(1,904)
	P731,005	P197,485	P240,613	P91,672	P121,378	P202,633	P243,794	P1,828,580	P57,028	P1,134,192	P3,019,800

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOCI

December 31, 2022

	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2022	P99,790	P16,284	P33,420	P288	P3,416	P1,789	P11,915	P166,902	P2,623	P2,601	P172,126
Provision for credit and impairment losses	129,550	19,453	25,643	10,326	(3,024)	9,156	50,053	241,157	(5)	7,680	248,832
Transfer from Stage 1	(51,207)	(19,948)	(26,590)	(7,656)	(286)	(5,967)	(4,064)	(115,718)	(147)	(4,107)	(119,972)
Transfer from Stage 2	1,775	2,100	2,685	-	-	-	20	6,580	71	153	6,804
Transfer from Stage 3	-	530	577	-	-	-	2	1,109	90	28	1,227
Foreign exchange differences	731	2	-	-	14	148	44	939	-	5	944
	180,639	18,421	35,735	2,958	120	5,126	57,970	300,969	2,632	6,360	309,961
Stage 2											
ECL Loans, January 1, 2022	38,924	22,554	48,820	-	-	4,671	3,928	118,897	160	27,491	146,548
Provision for credit and impairment losses	61,651	(1,163)	(23,883)	-	-	(3,734)	9,063	41,934	(35)	(2,516)	39,383
Transfer from Stage 1	51,207	5,830	16,608	-	286	5,967	764	80,662	31	1,456	82,149
Transfer from Stage 2	(69,829)	(18,530)	(17,918)	-	-	-	(473)	(106,750)	(125)	(5,936)	(112,811)
Transfer from Stage 3	-	430	2,619	-	-	-	64	3,113	8	165	3,286
Foreign exchange differences	986	-	-	-	-	-	15	1,001	-	42	1,043
	82,939	9,121	26,246	-	286	6,904	13,361	138,857	39	20,702	159,598
Stage 3											
ECL Loans, January 1, 2022	623,300	136,588	446,902	76,426	163,188	17,663	601,570	2,065,637	54,719	1,104,169	3,224,525
Provision for credit and impairment losses	10,624	(19,544)	(100,930)	(249)	(30,181)	-	22,215	(118,065)	(493)	29,822	(88,736)
Transfer from Stage 1	-	14,118	9,982	7,656	-	-	3,300	35,056	116	2,651	37,823
Transfer from Stage 2	68,054	16,430	15,233	-	-	-	453	100,170	54	5,783	106,007
Transfer from Stage 3	-	(960)	(3,196)	-	-	-	(66)	(4,222)	(98)	(193)	(4,513)
Movement due to foreclosure/settlement	-	(2,436)	(26,323)	-	-	-	-	(28,759)	-	(1,649)	(30,408)
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Foreign exchange differences	3,751	80	-	4,341	-	-	1,969	10,141	-	8,728	18,869
	465,848	144,276	341,668	88,174	133,007	17,663	612,085	1,802,721	54,298	1,134,017	2,991,036
Total											
ECL Loans, January 1, 2022	762,014	175,426	529,142	76,714	166,604	24,123	617,413	2,351,436	57,502	1,134,261	3,543,199
Provision for credit and impairment losses	201,825	(1,254)	(99,170)	10,077	(33,205)	5,422	81,331	165,026	(533)	34,986	199,479
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(2,436)	(26,323)	-	-	-	-	(28,759)	-	(1,649)	(30,408)
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Foreign exchange differences	5,468	82	-	4,341	14	148	2,028	12,081	-	8,775	20,856
	P729,426	P171,818	P403,649	P91,132	P133,413	P29,693	P683,416	P2,242,547	P56,969	P1,161,079	P3,460,595

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOCI

The table below summarizes the movements in the gross carrying amounts of financial assets, other than loans and receivables, in 2024 and 2023 (amounts in thousands).

	December 31, 2024				
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)
Gross carrying amount, January 1, 2024	P24,275,196	P1,055,497	P20,114,496	P11,043,805	P52,477,313
New assets purchased or originated	1,021,419,244	96,270	3,157,038,787	8,570,288	98,754,644
Assets derecognized or repaid	(992,519,244)	(66,302)	(3,175,007,774)	(306,440)	(114,959,241)
Other movements*	(5,255,270)	2,734,436	1,442,340	(229,019)	343,201
Gross carrying amount, December 31, 2024	P47,919,926	P3,819,901	P3,587,849	P19,078,634	P36,615,917

*Includes movements in outstanding balances and foreign exchange differences

	December 31, 2023				
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)
Gross carrying amount, January 1, 2023	P23,678,666	P1,044,396	P18,381,226	P5,805,051	P52,214,838
New assets purchased or originated	857,132,081	1,060	3,147,361,092	10,911,008	84,806,044
Assets derecognized or repaid	(854,932,081)	(36,818)	(3,143,921,917)	(5,963,068)	(84,500,328)
Other movements*	(1,603,470)	46,859	(1,705,905)	290,814	(43,241)
Gross carrying amount, December 31, 2023	P24,275,196	P1,055,497	P20,114,496	P11,043,805	P52,477,313

*Includes movements in outstanding balances and foreign exchange differences

The table below summarizes the movements in the gross carrying amounts on loans and receivables in 2024 and 2023 (amounts in thousands).

	December 31, 2024										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Gross carrying amount, January 1, 2024	P80,214,649	P7,739,774	P3,723,011	P961,229	P452,422	P11,489,607	P1,985,562	P106,566,254	P282,515	P1,640,714	P108,489,483
New assets purchased or originated	59,559,399	2,388,621	2,421,148	355,689	225,095	6,530,101	567,081	72,047,134	94,525	1,357,801	73,499,460
Assets derecognized or repaid	(31,549,209)	(251,313)	(376,513)	(202,562)	(353,032)	(4,020,500)	(183,636)	(36,936,765)	(31,905)	(551,149)	(37,519,819)
Transfer from Stage 1	(2,433,734)	(173,748)	(88,718)	-	(962)	(170,000)	(17,838)	(2,885,000)	(11,858)	(135,818)	(3,032,676)
Transfer from Stage 2	-	77,518	8,490	-	-	-	2,171	88,179	2,542	1,177	91,898
Transfer from Stage 3	-	59,114	165	-	-	-	172	59,451	2,470	478	62,399
Other movements***	(6,074,858)	(734,934)	(1,019,072)	67,181	(31,331)	(380,594)	(140,128)	(8,313,736)	(99,339)	133,623	(8,279,452)
	99,716,247	9,105,032	4,668,511	1,181,537	292,192	13,448,614	2,213,384	130,625,517	238,950	2,446,826	133,311,293
Stage 2											
Gross carrying amount, January 1, 2024	538,543	171,144	46,914	-	1,674	6,231	88,814	853,320	5,171	30,438	888,929
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(1,640)	(17,002)	(17,768)	-	(1,674)	(6,231)	(3,368)	(47,683)	(320)	(20,511)	(68,514)
Transfer from Stage 1	2,346,192	128,081	65,797	-	962	170,000	9,770	2,720,802	4,668	46,932	2,772,402
Transfer from Stage 2	(420,157)	(101,184)	(12,656)	-	-	-	(3,073)	(537,070)	(3,451)	(4,466)	(544,987)
Transfer from Stage 3	-	8,605	298	-	-	-	93	8,996	373	176	9,545
Other movements***	(40,255)	(14,146)	(11,344)	-	-	-	(3,904)	(69,649)	(1,399)	(4,017)	(75,065)
	2,422,683	175,498	71,241	-	962	170,000	88,332	2,928,716	5,042	48,552	2,982,310
Stage 3											
Gross carrying amount, January 1, 2024	443,680	543,309	350,703	89,470	121,242	185,708	253,848	1,987,960	100,875	1,118,730	3,207,565
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(83,662)	(244,931)	(35,830)	(12,679)	-	-	(1,903)	(379,005)	(13,118)	(65,917)	(458,040)
Transfer from Stage 1	87,542	45,667	22,921	-	-	-	8,068	164,198	7,190	88,886	260,274
Transfer from Stage 2	420,157	23,666	4,166	-	-	-	902	448,891	909	3,289	453,089
Transfer from Stage 3	-	(67,719)	(463)	-	-	-	(265)	(68,447)	(2,843)	(654)	(71,944)
Write-off	(168,339)	-	-	(33,123)	(51,673)	-	(40,315)	(293,450)	-	(15,538)	(308,988)
Other movements***	(18,801)	(15,854)	(5,207)	2,259	-	(47,424)	83,853	(1,174)	(2,140)	280	(3,034)
	680,577	284,138	336,290	45,927	69,569	138,284	304,188	1,858,973	90,873	1,129,076	3,078,922
Total											
Gross carrying amount, January 1, 2024	81,196,872	8,454,227	4,120,628	1,050,699	575,338	11,681,546	2,328,224	109,407,534	388,561	2,789,882	112,585,977
New assets purchased or originated	59,559,399	2,388,621	2,421,148	355,689	225,095	6,530,101	567,081	72,047,134	94,525	1,357,801	73,499,460
Assets derecognized or repaid	(31,634,511)	(513,246)	(430,111)	(215,241)	(354,706)	(4,026,731)	(188,907)	(37,363,453)	(45,343)	(637,577)	(38,046,373)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	(168,339)	-	-	(33,123)	(51,673)	-	(40,315)	(293,450)	-	(15,538)	(308,988)
Other movements***	(6,133,914)	(764,934)	(1,035,623)	69,440	(31,331)	(428,018)	(60,179)	(8,384,559)	(102,878)	129,886	(8,357,551)
	P102,819,507	P9,564,668	P5,076,042	P1,227,464	P362,723	P13,756,898	P2,605,904	P135,413,206	P334,865	P3,624,454	P139,372,525

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOCI

***Includes movements in outstanding balances and foreign exchange differences

December 31, 2023

	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Gross carrying amount, January 1, 2023	P85,152,447	P7,294,257	P3,115,110	P1,296,404	P466,443	P2,378,143	P1,808,374	P101,511,178	P263,227	P1,447,176	P103,221,581
New assets purchased or originated	39,963,570	1,369,112	1,913,726	14,983	382,112	10,075,693	531,274	54,250,470	154,270	742,125	55,146,865
Assets derecognized or repaid	(38,249,631)	(207,780)	(294,754)	(89,151)	(368,013)	(703,054)	(202,065)	(40,114,448)	(21,574)	(528,704)	(40,664,726)
Transfer from Stage 1	(61,876)	(180,668)	(48,317)	(5,023)	(1,674)	(59,181)	(13,235)	(369,974)	(10,881)	(87,181)	(468,036)
Transfer from Stage 2	142,500	88,312	35,256	-	-	-	1,862	267,930	953	3,985	272,868
Transfer from Stage 3	-	55,462	1,399	-	-	-	561	57,422	2,588	821	60,831
Other movements***	(6,732,361)	(678,921)	(999,409)	(255,984)	(26,446)	(201,994)	(141,209)	(9,036,324)	(106,068)	62,492	(9,079,900)
	80,214,649	7,739,774	3,723,011	961,229	452,422	11,489,607	1,985,562	106,566,254	282,515	1,640,714	108,489,483
Stage 2											
Gross carrying amount, January 1, 2023	960,125	182,084	127,407	-	2,641	142,076	65,034	1,479,367	4,038	35,963	1,519,368
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(257,858)	(13,444)	(24,725)	-	(2,641)	(2,865)	(4,586)	(306,119)	(1,971)	(20,706)	(328,796)
Transfer from Stage 1	-	116,055	35,704	-	1,674	4,731	8,807	166,971	4,884	25,258	197,113
Transfer from Stage 2	(142,500)	(114,102)	(45,545)	-	-	(131,258)	(2,727)	(436,132)	(1,228)	(9,353)	(446,713)
Transfer from Stage 3	-	16,910	1,164	-	-	-	160	18,234	165	437	18,836
Other movements***	(21,224)	(16,359)	(47,091)	-	-	(6,453)	22,126	(69,001)	(717)	(1,161)	(70,879)
	538,543	171,144	46,914	-	1,674	6,231	88,814	853,320	5,171	30,438	888,929
Stage 3											
Gross carrying amount, January 1, 2023	470,462	746,113	409,507	88,174	133,007	17,663	684,460	2,549,386	115,357	1,146,132	3,810,875
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(41,455)	(202,381)	(65,757)	-	-	(17,663)	(4,724)	(331,980)	(13,939)	(91,894)	(437,813)
Transfer from Stage 1	61,876	64,613	12,613	5,023	-	54,450	4,428	203,003	5,997	61,923	270,923
Transfer from Stage 2	-	25,790	10,289	-	-	131,258	865	168,202	275	5,368	173,845
Transfer from Stage 3	-	(72,372)	(2,563)	-	-	-	(721)	(75,656)	(2,753)	(1,258)	(79,667)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Other movements***	(3,776)	(18,454)	(13,386)	(351)	-	-	36,017	50	(4,062)	(141)	(4,153)
	443,680	543,309	350,703	89,470	121,242	185,708	253,848	1,987,960	100,875	1,118,730	3,207,565
Total											
Gross carrying amount, January 1, 2023	86,583,034	8,222,454	3,652,024	1,384,578	602,091	2,537,882	2,557,868	105,539,931	382,622	2,629,271	108,551,824
New assets purchased or originated	39,963,570	1,369,112	1,913,726	14,983	382,112	10,075,693	531,274	54,250,470	154,270	742,125	55,146,865
Assets derecognized or repaid	(38,548,944)	(423,605)	(385,236)	(89,151)	(370,654)	(723,582)	(211,375)	(40,752,547)	(37,484)	(641,304)	(41,431,335)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Other movements***	(6,757,361)	(713,734)	(1,059,886)	(256,335)	(26,446)	(208,447)	(83,066)	(9,105,275)	(110,847)	61,190	(9,154,932)
	P81,196,872	P8,454,227	P4,120,628	P1,050,699	P575,338	P11,681,546	P2,328,224	P109,407,534	P388,561	P2,789,882	P112,585,977

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOCI

***Includes movements in outstanding balances and foreign exchange differences

Movements in allowance for impairment losses as at December 31, 2024, 2023 and 2022 for investment in associate and non-financial assets are summarized as follows (amounts in thousands):

December 31, 2024					
	Investment in Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning of year	P5,926	P5,262	P249,958	P4,438,056	P4,699,202
Provision for impairment losses for the year	-	-	(51,698)	(34)	(51,732)
Write-off	-	-	(6,930)	-	(6,930)
Balance at end of year	P5,926	P5,262	P191,330	P4,438,022	P4,640,540

December 31, 2023					
	Investment in Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning of year	P5,926	P6,156	P201,904	P4,611,829	P4,825,815
Provision for impairment losses for the year	-	(894)	58,731	(83,494)	(25,657)
Write-off	-	-	(10,677)	(90,279)	(100,956)
Balance at end of year	P5,926	P5,262	P249,958	P4,438,056	P4,699,202

December 31, 2022					
	Investment in Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning of year	P5,926	P6,156	P191,276	P4,615,905	P4,819,263
Provision for impairment losses for the year	-	-	10,628	(4,076)	6,552
Balance at end of year	P5,926	P6,156	P201,904	P4,611,829	P4,825,815

18. Deposit Liabilities

Long-term Negotiable Certificates of Time Deposit (LTNCTD)

On March 17, 2020, the Bank issued unsecured LTNCTD with 4.5% fixed interest rate at par value of P5.0 billion and maturing on September 17, 2025. The issuance of the LTNCTD was approved by the BOD on June 25, 2019 and by the BSP on October 31, 2019. The issuance was listed in the Philippine Dealing and Exchange Corporation.

Reserve Requirement

On March 31, 2020, the BSP issued Circular No. 1082 reducing the reserve requirement to 12.0% effective on the reserve week starting on April 3, 2020. On June 23, 2023, the BSP reduced the reserve requirement to 9.5% effective on the reserve week starting on June 30, 2023, through the issuance of BSP Circular No. 1175. On September 20, 2024, the BSP issued Circular No. 1201 reducing the reserve requirement to 7.0% effective on the reserve week starting October 25, 2024.

As at December 31, 2024 and 2023, the Bank is in compliance with such reserve requirements. Due from BSP demand deposit account amounting to P12.0 billion and P17.1 billion as at December 31, 2024 and 2023, respectively, is available for meeting these reserve requirements as reported to BSP.

Due from BSP-Overnight Deposit Accounts earned annual interest rates ranging from 5.3% to 6.0% in 2024, from 5.0% to 6.0% in 2023, and from 1.5% to 5.0% in 2022. Due from BSP-Term Deposit Accounts earned annual interest rates ranging from 6.3% to 6.7%, from 6.4% to 6.8%, and from 1.7% to 6.4% in 2024, 2023, and 2022, respectively. Interest income on Due from BSP amounted to P368.3 million, P364.2 million, and P264.7 million in 2024, 2023, and 2022, respectively.

Interest expense on deposit liabilities follows:

	2024	2023	2022
Demand	P88,483,830	P67,813,429	P58,010,393
Savings	2,504,250,516	2,174,301,309	631,899,858
Time	646,617,783	502,742,516	118,116,108
LTNCTD	226,323,900	226,323,900	226,323,900
	P3,465,676,029	P2,971,181,154	P1,034,350,259

Peso-denominated deposits are subject to annual interest rates ranging from 0.1% to 6.5% in 2024 and 2023, and from 0.1% to 5.5% in 2022. Foreign currency-denominated deposits are subject to annual interest rates ranging from 0.1% to 5.5% in 2024 and 2023, and from 0.1% to 4.5% in 2022.

Insurance Expense

This account pertains to the PDIC insurance on deposits amounting to P384.0 million, P345.1 million, and P348.4 million in 2024, 2023, and 2022, respectively.

19. Bills Payable

This account consists of SSURA and short-term borrowings from local and foreign banks. As at December 31, 2024 and 2023, there were no short-term borrowings from local and foreign banks and no financial assets pledged and transferred under SSURA transactions.

Interest expense consists of:

	2024	2023	2022
SSURA	P9,058,806	P24,610,494	P -
Local banks	1,815,681	104,836	325,200
Foreign banks	-	128,142	-
Other borrowings	4,258,384	24,254,796	46,716,357
	P15,132,871	P49,098,268	P47,041,557

SSURA were subject to annual interest rates ranging from 4.9% to 5.1% in 2024 and from 5.3% to 5.7% in 2023.

Peso-denominated short-term borrowings from local banks are subject to annual interest rates ranging from 6.3% to 6.8% and from 1.9% to 2.5% in 2024 and 2022, respectively. There were no peso-denominated short-term borrowings from local banks in 2023. Foreign currency denominated short-term borrowings from local banks are subject to annual interest rate of 5.5%, interest rates ranging from 4.6% to 4.9%, and from 0.2% to 0.5% in 2024, 2023, and 2022, respectively.

Foreign currency denominated short-term borrowings from foreign banks are subject to annual interest rates ranging from 4.8% to 5.1% in 2023. There were no foreign currency denominated short-term borrowings from foreign banks in 2024 and 2022.

In 2024, 2023 and 2022, interest expense on other borrowings includes interest expense on tax settlement amounting to P4.3 million, P24.2 million and P46.7 million, respectively.

20. Bonds Payable

On May 16, 2024, the Bank issued P6.6 billion fixed rate bonds due on November 16, 2025. The bonds were priced at par with a coupon rate of 6.5635% payable on a quarterly basis commencing on August 16, 2024. The bonds were listed in Philippine Dealing and Exchange Corporation. Transaction costs on the issuance of bonds amounted to P59.2 million.

The P7.5 billion fixed rate bonds issued by the Bank on July 29, 2022 with a coupon rate of 5.0263% payable on a quarterly basis matured and was settled on July 29, 2024.

Interest expense on bonds payable amounted to P532.9 million, P413.0 million, and P173.8 million in 2024, 2023 and 2022, respectively. As at December 31, 2024 and 2023, unamortized bond transaction costs amounted to P35.3 million and P21.7 million, respectively.

21. Accrued Interest, Taxes and Other Expenses

This account consists of accruals for the following:

	<i>Note</i>	2024	2023
Interest payable:			
Deposit liabilities	18	P211,707,577	P292,928,209
Bonds payable	20	44,043,546	52,570,178
		255,751,123	345,498,387
Employee and other benefits		226,500,304	222,122,042
Insurance		203,116,131	183,357,397
Taxes payable		116,688,935	112,892,733
Fees and commissions		72,329,788	101,114,869
Management and professional fees		35,201,526	46,980,799
Penalties		34,412,283	171,456,762
Utilities expenses		32,595,643	53,734,548
Security		27,319,769	23,599,389
Building repairs and maintenance		14,361,406	20,033,164
Equipment-related expenses		7,281,022	38,508,624
Rent		6,229,896	4,600,248
Others		66,405,394	63,290,363
		P1,098,193,220	P1,387,189,325

Other accrued expenses include accruals for marketing and advertising, janitorial, messengerial, and various expenses attributable to the Bank's operations.

22. Other Liabilities

This account consists of:

	<i>Note</i>	2024	2023
Accounts payable		P5,147,678,610	P1,370,543,826
Payment orders payable		2,991,807,839	60,876,563
Bills purchased - contra	12, 33	825,848,408	951,269,458
Lease liability	30	661,590,944	593,364,435
Due to preferred shareholders	24	301,145,218	290,118,112
Other credits-dormant		252,366,676	233,264,121
Margin deposits		227,000,000	-
Due to Treasurer of the Philippines		213,902,800	213,714,158
Withholding tax payable		182,032,305	169,251,673
Unclaimed balances		130,168,838	35,780,120
ECL on off-balance sheet exposures	17	45,843,821	23,743,549
Retirement liability	29	-	126,139,504
Miscellaneous		130,709,248	125,115,684
		P11,110,094,707	P4,193,181,203

Accounts payable mainly pertains to advance loan payments from borrowers, settlement billings from credit card operations and proceeds from collections pending remittance to clients/payees.

Payment orders payable pertains to inward and outward remittances received by the Bank pending payment or application to designated deposit accounts.

Other credits - dormant account includes long outstanding Managers' Checks that are yet to be encashed by the payees, which have been outstanding for more than one (1) year from the dates of checks.

Margin deposits pertains to non-interest bearing deposits required on commercial letter of credits issued in favor of beneficiaries arising from movement of goods or services.

ECL on off-balance sheet exposures relate to committed credit line, credit card lines, outstanding guarantees and unused commercial letter of credits (see Note 38).

Miscellaneous include deposits for keys of safety deposit boxes, SSS payable, other provisions and unclaimed salaries of resigned employees.

23. Maturity Profile of Assets and Liabilities

The following tables present the maturity profile of the assets and liabilities of the Bank based on the amounts to be recovered or settled within and/or after more than 12 months after the reporting period (amounts in thousands):

Note	2024			2023		
	Within 12 Months	Over 12 Months	Total	Within 12 Months	Over 12 Months	Total
Financial Assets - gross						
COCI	P4,244,124	P -	P4,244,124	P3,500,645	P -	P3,500,645
Due from BSP	47,919,926	-	47,919,926	24,275,196	-	24,275,196
Due from other banks	3,819,901	-	3,819,901	1,055,497	-	1,055,497
Interbank loans receivable and SPURA	3,587,849	-	3,587,849	20,114,496	-	20,114,496
Financial assets at FVPL:						
Government securities held-for-trading	2,782,361	-	2,782,361	180,603	-	180,603
Derivative assets	34,795	28,922	63,717	-	27,685	27,685
Private debt securities	29,556	-	29,556	-	190,505	190,505
Financial assets at FVOCI:						
Government securities	-	19,036,827	19,036,827	-	10,850,048	10,850,048
Equity securities	-	41,807	41,807	-	193,757	193,757
Investment securities at amortized cost - gross:						
Government securities	6,882,006	27,583,479	34,465,485	16,903,505	33,408,145	50,311,650
Private debt securities	266,382	1,884,050	2,150,432	78,770	2,086,893	2,165,663
Loans and receivables - gross:						
Receivable from customers:						
Term loans	42,179,364	60,640,143	102,819,507	30,997,471	50,199,401	81,196,872
Agri-agra loans	6,132,221	7,624,835	13,757,056	4,207,708	7,473,838	11,681,546
Housing loans	481,442	9,083,278	9,564,720	741,214	7,713,089	8,454,303
Auto loans	579,843	4,499,179	5,079,022	641,992	3,481,423	4,123,415
Bills purchased, import bills and trust receipts	1,227,464	-	1,227,464	1,050,699	-	1,050,699
Direct advances	272,180	91,830	364,010	477,724	99,488	577,212
Others	1,975,573	693,212	2,668,785	1,721,579	647,296	2,368,875
Accrued interest receivable	1,753,888	-	1,753,888	1,443,071	-	1,443,071
Accounts receivable	1,573,836	-	1,573,836	1,055,139	-	1,055,139
Sales contract receivables	98,954	235,911	334,865	123,040	265,521	388,561
Unquoted debt securities	291,578	-	291,578	291,578	-	291,578
RCOCI	5,152	-	5,152	93	-	93
Investment in associate	-	75,395	75,395	-	75,395	75,395
	126,138,395	131,518,868	257,657,263	108,860,020	116,712,484	225,572,504
Non-financial Assets - gross						
Property and equipment	-	5,014,214	5,014,214	-	4,910,145	4,910,145
Investment properties	-	5,156,900	5,156,900	-	4,802,601	4,802,601
Deferred tax assets	-	447,021	447,021	-	475,333	475,333
Other assets	2,926,500	6,841,103	9,767,603	2,351,268	6,332,408	8,683,676
	2,926,500	17,459,238	20,385,738	2,351,268	16,520,487	18,871,755
	P129,064,895	P148,978,106	P278,043,001	P111,211,288	P133,232,971	P244,444,259
Less:						
Allowance for credit and impairment losses	17	-	P7,519,444	-	-	P7,731,347
Accumulated depreciation and amortization	14, 15, 16	-	4,981,095	-	-	4,965,609
Unearned interest	12	-	67,358	-	-	45,388
Accumulated equity in net loss	13	-	35,037	-	-	33,936
Total			P265,440,067			P231,667,979
Financial Liabilities						
Deposit liabilities:						
Demand	18	P63,961,972	P -	P63,961,972	P54,569,494	P -
Savings		125,100,493	-	125,100,493	109,667,913	-
Time		17,637,099	278,974	17,916,073	16,207,259	431,283
LTNCTD		5,029,420	-	5,029,420	-	5,029,420
Financial liabilities at FVPL	9	45,214	-	45,214	6,202	-
Bonds payable	20	6,534,448	-	6,534,448	7,478,265	-
Manager's checks		1,414,092	-	1,414,092	1,846,500	-
Accrued interest and other expenses*	21	748,774	-	748,774	1,047,574	-
Other liabilities**	22	10,119,072	763,147	10,882,219	3,174,414	699,632
		230,590,584	1,042,121	231,632,705	193,997,621	6,160,335
Non-financial Liabilities						
Accrued taxes and other expense payable	21	349,419	-	349,419	339,615	-
Other liabilities	22	227,876	-	227,876	192,995	126,140
		577,295	-	577,295	532,610	126,140
		P231,167,879	P1,042,121	P232,210,000	P194,530,231	P6,286,475
						P200,816,706

*amounts exclude accruals of employee and other benefits, taxes payable and rent

**amounts exclude withholding tax payable, retirement liability and ECL of loan commitments and financial guarantees

Refer to Note 5 for the discussions on the Bank's policy on liquidity risk and funding management.

24. Capital

The Bank's capital stock consists of the following as at December 31:

	Shares			Amount		
	2024	2023	2022	2024	2023	2022
Authorized Capital Stock						
Common stock, P10 par value	1,702,511,470	1,702,511,470	1,702,511,470	P17,025,114,700	P17,025,114,700	P17,025,114,700
Preferred stock, P10 par value	455,000,000	455,000,000	455,000,000	4,550,000,000	4,550,000,000	4,550,000,000
	2,157,511,470	2,157,511,470	2,157,511,470	P21,575,114,700	P21,575,114,700	P21,575,114,700
Issued and Outstanding						
Common stock	1,403,013,920	1,403,013,920	1,403,013,920	P14,030,139,200	P14,030,139,200	P14,030,139,200
Preferred stock	416,666,670	416,666,670	416,666,670	4,166,666,700	4,166,666,700	4,166,666,700
	1,819,680,590	1,819,680,590	1,819,680,590	P18,196,805,900	P18,196,805,900	P18,196,805,900
Paid-in Surplus						
Common stock				P5,995,503,421	P5,995,503,421	P5,995,503,421
Preferred stock				1,233,771,939	1,233,771,939	1,233,771,939
				P7,229,275,360	P7,229,275,360	P7,229,275,360

The reconciliation of the number of shares outstanding at the beginning and at the end of the years follow:

	Common Shares			Preferred Shares		
	2024	2023	2022	2024	2023	2022
Balance as at January 1	1,403,013,920	1,403,013,920	1,122,411,120	416,666,670	416,666,670	416,666,670
Issuance during the year	-	-	280,602,800	-	-	-
Adjustment for 10-to-1 stock split	-	-	-	-	-	-
Balance as at December 31	1,403,013,920	1,403,013,920	1,403,013,920	416,666,670	416,666,670	416,666,670

Preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders after 5 years from issue date, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of the Bank and subject to the other terms and conditions as may be fixed by the BOD, required under regulations, and to the extent permitted by applicable law.

The Bank has outstanding liability for the unpaid portion of the redemption price of preferred shares amounting to P301.1 million and P290.1 million as at December 31, 2024 and 2023, respectively, which is recorded as "Due to preferred shareholders" account under "Other liabilities" in Note 22 to the financial statements. As at December 31, 2024 and 2023, the related sinking fund which is recorded under "Other assets" account amounting to P301.1 million and P290.1 million, respectively, has been set up to fund the eventual settlement of this liability (see Note 16).

On April 8, 2010, the SEC approved the Bank's application for the increase in authorized capital stock from P6.0 billion, divided into 52.5 million common shares and 7.5 million preferred shares both with the par value of P100 each, to P22.0 billion divided into 212.5 million common shares and 7.5 million preferred shares both with the par value of P100 each. The related amendment to the Articles of Incorporation of the Bank relative to its proposed increase in authorized capital stock from P6.0 billion to P22.0 billion was approved by BSP and the SEC on March 26, 2010 and April 8, 2010, respectively.

During its meeting on January 18, 2011, the BOD of the Bank passed a resolution approving the following:

- the sale of fully paid shares of Valiant Ventures & Development Holdings, Inc. (Valiant) in the Bank to SMPI and SMCRP amounting to 2,800,000 shares and 1,972,735 shares, respectively; and
- the assignment of subscription rights of Valiant to SMPI amounting to 523,726 shares (Tranche 1) and 4,713,539 shares (Tranche 2).

In connection to this, the Bank secured the approval of the MB of BSP for such sale of shares and assignment of subscription of the shares of Valiant. This is mandated in BSP's MORB since the total shareholdings of Valiant entitles it to a board seat. The Board also approved that the sale of shares and assignment of subscription rights be recorded in the stock and transfer book of the Bank only after the approval of the MB has been obtained.

On March 30, 2011, the MB of BSP approved the sale of shares of Valiant. In 2011, the Bank's subscribed common stock totaling 59,741,113 shares have been fully paid in accordance with the subscription agreement.

On April 30, 2019, the BOD and the Stockholders approved to amend the Articles of Incorporation to deny pre-emptive rights. The said amendment was approved by the BSP on August 16, 2019 and by the SEC on September 5, 2019.

On January 30, 2020, the BOD and the Stockholders approved the amendment of the Articles of Incorporation to (a) reflect that the Bank's terms of existence shall be perpetual (b) retire 4,248,853 redeemed preferred shares thereby decreasing the Bank's authorized capital stock to P21,575,114,700 (c) reclassify 3,251,147 existing unissued preferred shares into new unissued preferred shares and (d) reclassify 42,248,853 existing unissued common shares into new unissued preferred shares. The amendments resulted in total new preferred shares of 45,500,000 with par value of P100 and decrease in common shares to 170,251,147 with par value of P100. These were approved by the BSP on May 21, 2020 and by the SEC on June 9, 2020.

On January 26, 2021, the BOD approved the issuance of 41,666,667 preferred shares to San Miguel Corporation at P132.0 per share. These shares will be issued out of the unissued Series 1 Preferred Shares of the Bank. On March 8, 2021, the Bank received from BSP a "No Objection" to the provisions in the indicative terms and conditions of these Preferred Shares, provided that the Bank shall continuously comply with the regulation for the inclusion of preferred shares as part of Additional Tier 1 capital under Appendix 59, Risk-based Capital Adequacy Framework for the Philippines Banking System, of the Manual Regulations for Banks. On June 29, 2021, the BOD approved the change of investor for preferred shares from San Miguel Corporation to SMC Equivest Corporation, a wholly owned subsidiary of San Miguel Corporation and an existing stockholder of the Bank. On August 5, 2021, the Bank issued 41,666,667 Series 1 Preferred Shares to SMC Equivest Corporation at P132.0 per share. Transaction costs on the issuance of preferred shares amounting to P99.6 million were charged against "Paid-in surplus".

On May 25, 2021 and July 8, 2021, the BOD and the Stockholders, respectively, approved the amendment of the Bank's Articles of Incorporation to the par value of common and preferred shares from One Hundred Pesos (P100.0) to Ten Pesos (P10.0). The amendment resulted in increase in common shares from 170,251,147 to 1,702,511,470 and increase in preferred shares from 45,500,000 to 455,000,000. This amendment was approved by the BSP on October 4, 2021 and by the SEC on November 2, 2021.

On October 28, 2021 and November 9, 2021, the BOD and Stockholders, respectively, approved the primary public offer and sale of up to 280,700,000 common shares from unissued capital stock. On February 15 and February 16, 2022, the SEC and the PSE, respectively, approved the application for the Initial Public Offer of the Bank. On March 31, 2022, the Bank listed its common shares with the PSE. The Bank offered and issued new common shares to the public up to 280,602,800 at P12.0 per share. Transaction costs on the issuance of common shares amounting to P108.6 million were charged against "Paid-in surplus".

On October 28, 2021 and November 9, 2021, the BOD and the Stockholders also approved the amendment to the Articles of Incorporate to align sections around the sale, assignment, and disposal of shares with the lock up requirements of the Philippine Stock Exchange. The By-laws were also amended to update sections on stockholders, the Board of Directors, certificates of stock and the transfer of shares of stock. On December 31, 2021, the BSP approved the request of the Bank to amend its Articles of Incorporation and By-laws. The amendment on the Bank's Articles of Incorporation and By-laws was approved by the SEC on January 28, 2022.

On February 22, 2022 and April 29, 2022, the BOD and the Stockholders, respectively, approved the amendments to the Articles of Incorporation to change its purpose from a Commercial Bank to a Universal Bank pursuant to BSP MB Resolution No. 1798 dated December 23, 2021. The By-laws were also amended to comply with Sections 28 and 52 of the Revised Corporation Code. The amendment on the Bank's Articles of Incorporation and By-laws was approved by the BSP on June 29, 2022 and by the SEC on August 9, 2022.

Subject to the approval of the relevant government regulatory agencies, the Stockholders and BOD approved on April 25, 2023 and February 28, 2023, respectively, the amendment of the Articles of Incorporation to increase the Bank's authorized capital stock from P21,575,114,700 (divided into 1,702,511,470 common shares and 455,000,000 preferred shares) to P28,198,773,840 (divided into 2,364,877,384 common shares and 455,000,000 preferred shares). As of December 31, 2024, the Bank is in process of completing the documentary requirements necessary to obtain BSP approval.

The Stockholders and BOD approved on April 30, 2024 and February 27, 2024, respectively, the amendments to the By-laws to (a) specify the date of the annual stockholders' meeting and (b) align with relevant rules and regulations, such as Section 132 of the MORB and Section 34 of the Revised Corporation Code. The Stockholders likewise approved on April 30, 2024 the authority to delegate to the BOD the power to amend or repeal the current by-laws or enact a new one. On August 22, 2024 and October 8, 2024, the BSP and SEC, respectively, approved the amendments to the By-laws.

Cash Dividend

On May 28, 2024, the BOD declared cash dividends amounting to P654.9 million or equivalent to P0.2512 per common share and P0.7260 per preferred share, payable on July 15, 2024 to all stockholders of record as of June 19, 2024.

Equity Restructuring

On March 29, 2021, the BOD approved the Bank to undergo equity restructuring to wipe out the deficit amounting to P51,156,715 as at December 31, 2020 through the use of the Bank's Paid-in surplus.

On July 12, 2021, the Bank received from BSP a "No Objection" response to its application for equity restructuring with the SEC, subject to the (i) Bank's compliance with the Commission's other requirements; and (ii) condition that the Bank shall provide BSP a certified true copy of SEC's approval of the equity restructuring within five (5) days from receipt thereof.

On October 14, 2021, the SEC approved the equity restructuring to wipe-out the deficit as at December 31, 2020 amounting to P51,156,715 against the Paid-in surplus of P5.6 billion subject to the conditions that the remaining Paid-in surplus of P5.5 billion cannot be applied for future losses that may be incurred by the Bank without prior approval of the SEC.

Capital Management

The Bank's capital base, comprised of capital stock, paid-in surplus and surplus reserves, is actively being managed to cover risks inherent in the Bank's operations. In 2009, SMPI and SMCRP infused additional capital amounting to P3.3 billion in the form of paid-up common stock. On February 18, 2010 and March 1, 2010, major stockholders infused P271.9 million and P2.1 billion, respectively, into the Bank in the form of advances for future stock subscriptions, which shall be treated as part of the Bank's paid-up capital upon the SEC's approval thereon and on the increase in the Bank's authorized capital stock.

On August 5, 2021, SMC Equivest Corporation infused additional capital amounting P5.5 billion in the form of paid-up preferred stock. This is in support of the application of the Bank for an upgrade of its commercial banking license to a universal banking license. On March 31, 2022, the Bank listed its common shares with the PSE and raised P3.4 billion in additional capital as part of the requirements for the upgrade.

Under Section 121 of the MORB, *Minimum Required Capital*, the minimum capitalization requirement applicable for the Bank (universal banks with more than 100 branches) amounted to P20.0 billion. The Bank achieved this level with the August 2021 infusion of additional capital mentioned above. On December 23, 2021, the BSP approved the upgrade of the Bank's banking license from commercial bank to universal bank (UB) subject to certain regulatory requirements. On October 24, 2022, the Bank received from the BSP the Certificate of Authority to Operate as a Universal Bank dated October 4, 2022. As at December 31, 2024 and 2023, the reported unimpaired capital of the Bank amounted to P32.1 billion and P29.7 billion, respectively.

The guidelines on Bank's ICAAP under Section 130 and Appendices 94, 95 and 96 of the MORB supplements the BSP's risk-based capital adequacy framework. In compliance with this new circular, the Bank has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Bank. The level and structure of capital are assessed and determined in light of the Bank's business environment, plans, performance, risks and budget; as well as regulatory edicts. The deadline for submission of ICAAP documents is March 31 of each year.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of Regulatory Accounting Principles which differ from PFRS Accounting Standards in some respects.

The BSP sets and monitors compliance to minimum capital requirements for the Bank. In implementing current capital requirements, BSP issued Circular 538, *Revised Risk-Based Capital Adequacy Framework for Universal and Commercial Banks and their Subsidiary Banks and Quasi-Banks*, which implemented the Revised Risk-Based Capital Adequacy Framework under Basel II effective July 1, 2007. It requires the Bank to maintain a prescribed risk-based capital adequacy ratio (expressed as a percentage of qualifying capital to risk-weighted assets) of not less than 10.0%.

Under Section 125 and Appendix 59 of the MORB, the regulatory qualifying capital of the Bank consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprised common stock, additional paid-in capital and surplus. Tier 2 composed upper tier 2 and lower tier 2. Upper tier 2 consists of preferred stock, revaluation increment reserve, general loan loss provision and deposit for common stock subscription. Lower tier 2 consists of the unsecured subordinated debt.

The following are the minimum capital requirements for UBs and KBs and their subsidiary banks and quasi-banks (QBs):

- 6.0% Common Equity Tier 1 (CET1)/Risk-Weighted Assets (RWAs)
- 7.5% Tier 1 Capital/RWAs, and
- 10.0% Total Qualifying Capital (Tier1 plus Tier2)/RWAs

The Qualifying Capital must consist of the sum of the following elements, net of required deductions: Tier 1-‘going concern’ [CET1 plus Additional Tier 1] and Tier 2 - ‘gone concern.’ A bank/quasi-bank must ensure that any component of capital included in qualifying capital complies with all the eligibility criteria for the particular category of capital in which it is included. The Circular further describes the elements/criteria that a domestic bank should meet for each capital category. Regulatory adjustments and calculation guidelines for each capital category are also discussed.

In conformity with the Basel III standards, a Capital Conservation Buffer (CCB) of 2.5% of RWAs, comprised of CET1 capital, has been required of U/KBs and their subsidiary banks and quasi-banks. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down by banks to absorb losses during financial and economic stress.

The CET1 capital requirement includes as an additional capital buffer, the Countercyclical capital buffer (CcyB) of zero percent (0%) subject to upward adjustment to a rate determined by the MB when systemic conditions warrant but not to exceed two and a half percent (2.5%). Any increases in the CcyB rate shall be effective 12 months after announcement while decreases shall be effective immediately.

The countercyclical buffer requirement will extend the size of the capital conservation buffer. A bank shall not be subject to any restriction on distribution if the following conditions are met:

- Has positive retained earnings as of the preceding quarter and has complied with the requirements on the declaration of dividends as provided in the MORB;
- Has CET1 of more than the total required (minimum CET1 ratio of 6.0% plus CCB of 2.5% plus CcyB at the rate determined by the MB) before distribution; and
- Has complied with the minimum capital ratios (CET1 ratio of 6.0%, Tier 1 ratio of 7.5% and 10.0% CAR) after the distribution.

Otherwise, the policy framework of the capital conservation buffer on the restriction on distributions shall apply, except for drawdowns. Thresholds on the restriction on distribution shall consider the CcyB requirement as an extension of the capital conservation buffer.

As at December 31, 2024 and 2023, based on the CAR reports submitted to BSP, the Bank's CAR of 17.58% and 19.88%, respectively, exceeded the minimum 10.0% requirement as computed and monitored using the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios"), based on the Basel III framework. The increase in the CAR ratio was primarily due to the increase in undivided profits and decrease in the credit risk weighted amount of contingent account (domestic standby letters of credit).

The breakdown of the Bank's risk-weighted assets as at December 31, 2024 and 2023 as reported to BSP follows (amounts in thousands):

	2024	2023
Credit risk-weighted assets	P160,363,565	P131,091,150
Market-risk weighted assets	14,407,072	313,854
Operational risk-weighted assets	1,512,215	12,140,350
	P176,282,852	P143,545,354

The Bank is also required to maintain a minimum Tier 1 capital ratio of 7.5% in 2024 and 2023 (in millions) as reported to BSP which was compiled as per below:

	2024	2023
Tier 1 capital	P29,638	P27,396
Tier 2 capital	1,347	1,139
Total qualifying capital	P30,985	P28,535
CET1 capital	P24,237	P21,996
Risk-weighted assets	P176,283	P143,545
CET1 ratio	13.75%	15.32%
Tier 1 capital ratio	16.81%	19.09%
Total capital ratio	17.58%	19.88%

Certain adjustments are made to PFRS Accounting Standards results and reserves to calculate CAR which included the Bank's accounting of the following transactions that require different accounting treatments under PFRS Accounting Standards:

- a) non-performing assets and operating losses of TRB capitalized as miscellaneous assets and subject to staggered allowance provisioning;
- b) accounting for investment properties.

The recognition of the Bank for prudential reporting is based on the accounting treatment approved by BSP (see Notes 15 and 16).

Under Section 129 of the MORB Basel III, leverage ratio is designed to act as supplementary measure to the risk-based capital requirements. It is defined as the capital measure (numerator) divided by the exposure measure (denominator). The leverage ratio shall not be less than 5.0% computed on both solo (head office plus branches) and consolidated bases (parent bank plus subsidiary financial allied undertakings but excluding insurance companies).

The Bank exceeded the minimum leverage ratio of 5.0% as at December 31, 2024 and 2023 which was complied as per below breakdown (amounts in thousands):

	2024	2023
Capital measure	P29,637,638	P27,396,326
Exposure measure	278,642,739	246,764,987
Leverage ratio	10.64%	11.10%

The LCR framework under Section 145 of the MORB promotes short-term resilience of liquidity risk profile of a bank. The LCR is the ratio of HQLAs to total net cash outflows. Under normal situation, the value of the ratio should be no lower than 100.0% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against the potential onset of liquidity stress. The compliance with the LCR minimum requirement commenced on January 01, 2018 and the prescribed minimum shall be set initially at 90% for 2018 and raised to the minimum level of 100% on January 01, 2019.

Based on the LCR reports submitted to the BSP as at December 31, 2024 and 2023, the Bank's LCR were 178.68% and 213.86%, respectively, which were above the prescribed minimum requirement set at 100.0%.

While the NSFR promotes long-term resilience of banks against liquidity risk and maintains stable funding profile in relation to the composition of its assets and off-balance sheet activities. The implementation of the minimum NSFR was phased-in, banks undergone observation period from July 1, 2018 up to December 31, 2018 while actual implementation commenced on January 01, 2019. The NSFR is the ratio of Bank's available stable funding to its required stable funding and shall maintain at least 100.0% at all times.

As at December 31, 2024 and 2023, the reported NSFR of 145% and 164%, respectively, exceeded the required minimum of 100%.

This applies to UB/KBs as well as their subsidiary banks and quasi-banks with the framework anchored on the international standards issued by the Basel Committee on Banking Supervision known as the Basel 3 reforms.

25. Surplus Reserve

	2024	2023	2022
Reserve for general provision - special reserve	P939,993,441	P877,491,849	P775,206,634
Reserve for trust business	169,052,115	157,512,612	148,200,862
Reserve for self-insurance	60,000,000	60,000,000	60,000,000
	P1,169,045,556	P1,095,004,461	P983,407,496

Reserve for General Provision - Special Reserve

The BSP, through Circular No. 1011, *Guidelines on the Adoption of the PFRS 9*, requires appropriation of the Bank's retained earnings in case the computed allowance for credit losses on loans based on PFRS 9 is less than the BSP required 1.0% general provision on outstanding Stage 1 on-balance sheet loans, except for accounts considered as risk-free under existing regulations. Additional appropriation for reserve for general provision amounted to P62.5 million, P102.3 million, and P218.6 million in 2024, 2023 and 2022, respectively.

Reserve for Trust Business

In compliance with BSP regulations, 10.0% of the Bank's profit from trust business is appropriated to surplus reserve. This yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Bank's authorized capital stock. Additional appropriation for reserve for trust business amounted to P11.5 million, P9.3 million, and P9.0 million in 2024, 2023 and 2022, respectively.

Reserve for Self-insurance

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation and other unlawful acts of the Bank's personnel or third parties. No additional appropriation for Reserve for self-insurance was made in 2024, 2023, and 2022.

26. Interest Income on Debt Securities

This account consists of:

	<i>Note</i>	2024	2023	2022
Investment securities at amortized cost:				
Government securities	11	P1,751,627,968	P1,716,340,695	P1,370,841,465
Private debt securities		80,500,659	85,656,947	100,869,054
Financial assets at FVOCI:				
Government securities	10	854,777,572	445,722,527	204,988,977
Private debt securities		-	-	5,085,038
		2,686,906,199	2,247,720,169	1,681,784,534
Financial assets at FVPL:				
Government securities held for trading	9	126,909,743	21,561,207	4,603,469
		P2,813,815,942	P2,269,281,376	P1,686,388,003

Foreign currency-denominated investment securities at amortized cost bear EIRs ranging from 0.8% to 5.3% in 2024 and 2023, and from 0.8% to 3.7% in 2022. Peso-denominated investment securities at amortized cost bear EIRs ranging from 2.3% to 8.1% in 2024 and 2023 and from 1.4% to 8.1% in 2022.

Foreign currency-denominated financial assets at FVOCI bear EIRs ranging from 2.6% to 4.5% in 2024 and 2023, and from 0.9% to 2.8% in 2022. Peso-denominated financial assets at FVOCI bear EIRs ranging from 3.6% to 6.8% in 2024, from 3.6% to 6.9% in 2023, and from 3.6% to 6.7% in 2022.

Foreign currency-denominated financial assets at FVPL bear annual interest rates ranging from 2.2% to 8.6% in 2024, from 1.6% to 8.6% in 2023, and from 0.2% to 8.6% in 2022. Peso-denominated financial assets at FVPL bear annual interest rates ranging from 2.6% to 8.6%, from 2.6% to 9.3%, and from 0.6% to 8.1% in 2024, 2023, and 2022, respectively.

27. Service Charges, Fees and Commissions

Service Charges, Fees and Commissions - Income

This account consists of:

	2024	2023	2022
Underwriter and arranger's fees	P292,684,017	P148,709,683	P95,900,297
Credit card fees	190,895,182	179,629,720	147,516,114
Trust income	185,602,042	174,904,628	152,971,718
Service charges	161,058,043	157,871,633	148,551,460
Letters of credit fees	109,140,234	77,530,188	122,780,721
Fees and commissions	68,341,607	55,744,047	48,792,533
Penalty charges	23,763,728	34,546,673	31,346,781
Remittance fees	21,052,949	37,065,138	41,087,314
Commitment fees	9,352,113	10,144,513	55,783,132
Telegraphic transfer fees	3,979,921	3,375,067	2,715,963
Others	8,894,038	6,858,195	10,185,844
	P1,074,763,874	P886,379,485	P857,631,877

Underwriter and arranger's fees are earned by the Bank as compensation for underwriting a public offering, placing an issue in the market or arranging a private placement of debt.

Service charges include charges on loans, ATM fees and deposit taking-related activities.

Others include commission on acceptance fee, insurance, auto and housing loans processing fee and sale of demand drafts.

Service Fees and Commissions - Expenses

This account consists of:

	2024	2023	2022
Transaction and service fees	P328,732,411	P273,919,598	P187,294,357
Mastercard fees	95,687,054	77,654,916	59,034,910
Fees and commissions	63,644,608	58,759,010	43,533,852
Others	7,056,231	7,590,497	3,466,436
	P495,120,304	P417,924,021	P293,329,555

Others include processing fees, handling fees and various other charges.

28. Trading and Investment Securities Gains (Losses) - net

This account consists of realized and unrealized gains (losses) from the following securities:

	Note	2024	2023	2022
Financial assets and liabilities at FVPL:				
Debt securities:				
Unrealized	9	(P1,017,785)	P22,810,265	P3,032,696
Realized		(1,645,410)	(19,188,811)	(32,249,257)
Equity securities:				
Realized		-	12,535	-
Financial assets at FVOCI	10	1,623,076	6,964,361	-
		(P1,040,119)	P10,598,350	(P29,216,561)

29. Employee Benefits

Compensation and Fringe Benefits

The details of the following accounts in 2024, 2023 and 2022 follow:

	2024	2023	2022
Salaries and allowances	P1,504,714,424	P1,326,204,346	P1,097,273,510
Bonuses	508,400,000	460,950,000	349,320,000
Employee benefits	440,596,896	337,516,981	293,658,369
Retirement benefits	135,889,019	91,753,151	123,585,814
Overtime	47,195,764	41,971,618	40,973,832
	P2,636,796,103	P2,258,396,096	P1,904,811,525

Retirement Plan

The Bank has a funded noncontributory defined benefit retirement plan covering its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using projected unit credit method.

The Bank's retirement benefits are based on the employee's years of service and a percentage of his gross monthly salary. An employee shall be retired and shall be entitled to full retirement benefits upon his attainment of 60 years of age.

An employee, upon reaching the age of 50 years and with the completion of no less than 10 years of service as a regular employee and with 30 days prior notice to the Bank, may retire at his option and shall be entitled to the retirement benefits.

An employee who has at least 10 years of service as a regular employee, but who has not reached the age of 50 years, may retire at his option and shall be entitled to the retirement benefits but such retirement benefit shall be subject to the pertinent requirements of the Bureau of Internal Revenue (BIR).

The Bank's retirement plan is registered with the BIR as a tax-qualified plan under RA No. 4917, as amended, and complies with the minimum retirement benefit specified under RA No. 7641, the "New Retirement Law."

The date of the last actuarial valuation is December 31, 2024. Valuations are performed on an annual basis.

As at December 31, 2024, 2023 and 2022, the principal actuarial assumptions used in determining retirement benefits liability for the Bank's retirement plan are shown below:

	2024	2023	2022
Average working life	9.0	13.0	13.0
Discount rate	6.1%	6.1%	7.6%
Future salary increases	6.6%	6.6%	6.6%

The mortality rates used in the valuation were based on the 1985 Unisex Annuity Table (UAT). The 1985 UAT was derived from the experience of the Government Service Insurance System from 01 January 1977 to 31 December 1981, a period of five years. The 1985 UAT has been adjusted to reflect improvements in mortality experience since its original construction. The disability rates used in the valuation were based on 100% of the adjusted 1952 Disability Table, reflecting improvement in Philippine disability experience.

The following table shows reconciliation from the opening balances to the closing balances for net retirement benefit liability (assets) and its components (in thousands).

	Defined Benefits Obligation			Fair Value of Plan Assets			Net Retirement Benefit Liability (Asset)		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
Balance at January 1	P1,343,134	P1,027,606	P1,244,156	(P1,216,994)	(P1,100,754)	(P1,085,608)	P126,140	(P73,148)	P158,548
Included in Profit or Loss									
Current service cost	128,195	94,990	115,658	-	-	-	128,195	94,990	115,658
Interest expense (income)	81,931	77,119	62,208	(74,237)	(80,356)	(54,280)	7,694	(3,237)	7,928
	210,126	172,109	177,866	(74,237)	(80,356)	(54,280)	135,889	91,753	123,586
Included in OCI									
Remeasurement loss (gain):									
Actuarial loss (gain) arising from:									
Financial assumptions	(50,935)	167,475	(299,036)	-	-	-	(50,935)	167,475	(299,036)
Experience adjustment	29,700	81,345	18,033	-	-	-	29,700	81,345	18,033
Return on plan assets excluding interest income	-	-	-	(12,811)	39,176	96,178	(12,811)	39,176	96,178
	(21,235)	248,820	(281,003)	(12,811)	39,176	96,178	(34,046)	287,996	(184,825)
Others									
Contributions paid by the employer	-	-	-	(655,273)	(180,461)	(170,457)	(655,273)	(180,461)	(170,457)
Benefits paid	(109,571)	(105,401)	(113,413)	109,571	105,401	113,413	-	-	-
	(109,571)	(105,401)	(113,413)	(545,702)	(75,060)	(57,044)	(655,273)	(180,461)	(170,457)
Balance at December 31	P1,422,454	P1,343,134	P1,027,606	(P1,849,744)	(P1,216,994)	(P1,100,754)	(P427,290)	P126,140	(P73,148)

The movements of the remeasurement losses on retirement liability of the Bank follow:

	2024	2023	2022
Balance at beginning of year	P365,718,897	P77,723,200	P262,547,387
Remeasurement losses (gains) on:			
Defined benefits obligation	(21,234,266)	248,820,103	(281,002,208)
Plan assets	(12,811,490)	39,175,594	96,178,021
Net change in remeasurement losses (gains) recorded in OCI	(34,045,756)	287,995,697	(184,824,187)
Balance at end of year	P331,673,141	P365,718,897	P77,723,200

The actual return on plan assets amounted to P87.0 million and P41.2 million in 2024 and 2023, respectively.

Since the current fund assets cover the accrued liability and normal cost, the Bank does not expect to contribute to its defined benefits retirement plan in 2025.

The major categories of the fair value of plan assets as at December 31, 2024 and 2023 follow:

	2024	2023
Investment securities:		
Government and other debt securities	P1,185,718,267	P526,163,095
Quoted equity securities	488,000,625	339,884,175
Unquoted equity securities	2,600	2,600
Deposits with the bank	47,946,914	131,963,457
Loans receivables	107,910,000	206,022,617
Other receivables	20,165,796	12,958,486
Total Plan Assets	P1,849,744,202	P1,216,994,430

Sensitivity Analysis

Reasonably possible changes to one of the relevant actuarial assumptions, with all other assumptions constant, would have affected the net retirement liability of the Bank by the amounts shown below:

	December 31, 2024			
	Discount Rate		Salary Increase Rate	
	+1.00%	-1.00%	+1.00%	-1.00%
Present value of the defined benefit obligation	P1,318,315,459	P1,541,173,741	P1,529,824,281	P1,326,241,221
Fair value of plan assets	(1,849,744,202)	(1,849,744,202)	(1,849,744,202)	(1,849,744,202)
Net retirement liability (assets)	(P531,428,743)	(P308,570,461)	(P319,919,921)	(P523,502,981)

	December 31, 2023			
	Discount Rate		Salary Increase Rate	
	+1.00%	-1.00%	+1.00%	-1.00%
Present value of the defined benefit obligation	P1,225,926,087	P1,479,462,857	P1,468,882,977	P1,232,640,544
Fair value of plan assets	(1,216,994,429)	(1,216,994,429)	(1,216,994,429)	(1,216,994,429)
Net retirement liability (assets)	P8,931,658	P262,468,428	P251,888,548	P15,646,115

The maturity analyses of the undiscounted benefit payments as at December 31, 2024 and 2023 are as follows:

	2024	2023
1 - 5 years	P737,989,897	P541,608,869
6 - 10 years	1,194,923,143	1,101,752,171
11 - 15 years	946,660,214	1,086,406,759
16 years and up	3,185,757,321	5,407,534,068
	P6,065,330,575	P8,137,301,867

The defined benefit plans expose the Bank to actuarial risks, such as longevity risk, interest risk, and market (investment risk).

The overall investment policy and strategy of the retirement plan is based on the Bank's suitability assessment, as provided by its Trust Services Group, in compliance with BSP requirements.

The weighted average duration of the defined benefit obligations is 8 years and 9 years, respectively, as at December 31, 2024 and 2023. The expected average remaining working lives as at December 31, 2024 and 2023 are 9 years and 13 years, respectively.

30. Rent and Utilities

The table below shows the breakdown of rent and utilities in 2024, 2023, and 2022.

	2024	2023	2022
Security services	P225,991,810	P197,680,447	P220,318,339
Repairs and maintenance	164,478,895	199,706,881	187,630,410
Rent expense	93,868,520	81,928,780	68,792,512
Power, light, water	76,876,406	112,852,064	105,967,062
Janitorial services	47,405,771	42,226,915	38,559,704
Insurance	14,074,959	13,302,902	10,281,940
Total	P622,696,361	P647,697,989	P631,549,967

Insurance refers to the insurance for the Bank's property and equipment.

Bank as Lessee

The Bank leases the premises occupied by most of its branches. The lease contracts are for periods ranging from 1 to 15 years and are renewable upon mutual agreement between the Bank and the lessors. Various lease contracts include escalation clauses, most of which bear an annual rent increase ranging from 2.0% to 25.0%.

The Bank also leases parking space, ATM location, signage and storage with contract term of 1 year. These leases are short-term and/or leases of low value items. The Bank has elected not to recognize right-of-use assets and lease liabilities for these leases. Rent expenses related to these contracts are charged against current operations (included under "Rent and utilities" account in the statements of income).

Information about leases for which the Bank is a lessee is presented below:

Right-of-Use Assets

Right-of-use assets relate to leased branch and office premises. Details of right-of-use assets are presented within property and equipment (see Note 14).

Lease Liabilities

See Note 5 for maturity analysis of lease liabilities as at December 31, 2024 and 2023.

The table below shows the amounts recognized in the statements of income in 2024, 2023 and 2022 related to leases under PFRS 16 (amounts in millions).

	2024	2023	2022
Interest on lease liabilities	P39.2	P32.8	P28.2
Expenses relating to short-term leases	78.2	70.0	59.1
Expenses relating to lease of low-value assets, excluding short-term leases of low-value assets	15.7	12.0	9.7

Total cash outflow for leases recognized in 2024, 2023 and 2022 amounted to P340.3 million, P320.1 million, and P303.2 million, respectively.

Bank as Lessor

The Bank leases out its commercial properties for office space. The Bank has classified these leases as operating leases because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

Rental income recognized by the Bank on its commercial properties (shown under "Miscellaneous" in the statements of income) for the years ended December 31, 2024, 2023, and 2022 were P0.4 million, P1.6 million, and P1.8 million, respectively, and includes rental income on investment properties (Note 15). The Bank also recognized income from the use of safety deposit boxes amounted to P2.9 million in 2024 and P3.0 million in 2023 and 2022 (see Note 31).

As at December 31, 2024 and 2023, the Bank has no future rental receivables under non-cancellable operating lease.

31. Miscellaneous Income and Expenses

Miscellaneous Income

This account consists of:

	<i>Note</i>	2024	2023	2022
Passed-on GRT		P30,904,732	P50,377,835	P40,574,554
Dividend income	10	3,855,229	5,604,161	1,612,352
Rent income	30	3,384,031	4,602,172	4,834,797
Others		64,431,027	84,692,214	68,157,678
		P102,575,019	P145,276,382	P115,179,381

Others include recovery from charged-off assets and excess chattel fees. Recovery from charged-off assets amounted to P23.9 million, P71.1 million, and P56.1 million, respectively, in 2024, 2023 and 2022.

Miscellaneous Expenses

This account consists of:

		2024	2023	2022
Marketing		P104,522,119	P103,566,171	P57,421,253
Supervision and examination fee		74,970,716	83,011,437	67,926,910
Communications		68,901,123	79,890,227	77,156,091
Forms and supplies		47,167,702	51,808,966	45,915,052
Messengerial services		40,360,550	39,440,243	36,985,834
Litigation and acquired assets-related expenses		39,850,996	27,984,321	16,391,828
Transportation and travel		32,538,500	42,598,156	26,500,086
Membership dues		22,817,813	27,594,750	20,809,127
Fines and penalties		584,538	3,372,381	71,713,640
Others		66,371,525	60,526,331	125,759,860
		P498,085,582	P519,792,983	P546,579,681

Others include management fee on deposits, charges on correspondent banks, royalty fees, other provisions and postage.

32. Income and Other Taxes

Income and other taxes are comprised of RBU and FCDU taxes which are discussed as follows:

Regular Banking Unit

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

Income tax expense include corporate income tax, as discussed below, and final taxes paid at the rate of 20.0%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises Act* (CREATE Law), was signed into law and took effect on April 11, 2021. The following are certain provisions of the National Internal Revenue Code of 1997 that were amended and relevant to the Bank:

- Regular corporate income tax rate is decreased from 30% to 25% starting July 1, 2020;
- Minimum corporate income tax rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
- The allowable deduction for interest expense shall be reduced by 20% of interest income subjected to final tax, instead of the previous 33%; and
- The imposition of 10% tax on improperly accumulated retained earnings is repealed.

The MCIT and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, over a 3-year period from the year of incurrence.

In 2011, the BIR issued RR 4-2011, *Proper Allocation of Costs and Expenses amongst income earning of banks and Other Financial Institutions for Income Tax Reporting Purposes*, which requires banks to allocate and claim as deduction only those costs and expenses attributable to RBU to arrive at the taxable income of the RBU subject to regular income tax. Any cost or expense related with or incurred for the operations FCDU are not allowed as deduction from the RBU's taxable income. In computing for the amount allowable as deduction from RBU operations, all costs and expenses should be allocated between the RBU and FCDU by specific identification and by allocation. In a Decision dated December 1, 2021, the Supreme Court declared RR 4-2011 void for having issue ultra vires. It ruled that RR 4-2011 unduly contravened and expanded the provisions of the Tax Code. The Supreme Court Decision became final and executory on June 7, 2022, and was recorded in the Book of Entries of Judgement.

Foreign Currency Deposit Unit

RA No. 9294, the existing applicable tax regulation governing the taxation of FCDU, provides, among others, the following:

- Offshore income or the income derived by FCDUs from foreign currency transactions with nonresidents, Offshore Banking Units (OBUs) in the Philippines, local commercial banks including branches of foreign banks that may be authorized by BSP to transact business with FCDUs and other depository banks under the foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the MB to be subject to the regular income tax payable by banks.
- Gross onshore income or interest income from foreign currency loans granted by FCDUs to residents through offshore units in the Philippines or other depository banks under the expanded system shall be subject to final tax at a rate of 10.0%; and
- Interest income derived by resident individual or corporation on deposits with FCDUs and OBUs are subject to 15.0% final tax.

Income tax expense consists of:

	2024	2023	2022
Current:			
Final	P773,895,471	P728,807,543	P523,060,497
MCIT	110,350,681	-	-
RCIT	6,155,999	93,876,511	73,242,737
Tax benefit	-	(25,186,431)	(61,363,313)
	890,402,151	797,497,623	534,939,921
Deferred	27,366,145	136,393,568	131,415,328
	P917,768,296	P933,891,191	P666,355,249

The amount of tax benefit relates to MCIT of prior periods that was used to reduce current tax payable.

The amount of deferred income tax relates to the origination and reversal of temporary differences.

The reconciliation of the income tax expense computed at the statutory tax rate to the effective income tax shown in the statements of income follows:

	2024	2023	2022
Income before income tax expense	P3,942,707,406	P3,736,110,366	P2,466,423,849
Income tax at statutory rate	P985,676,852	P934,027,592	P616,605,962
Additions to (reductions in) income taxes resulting from the tax effects of:			
Nondeductible expenses	219,014,569	192,649,750	114,721,794
Tax paid income	(207,327,724)	(157,558,235)	(56,603,094)
Nontaxable income	(38,977,837)	(62,716,480)	(6,127,328)
Changes in unrecognized deferred tax assets	(10,502,984)	59,498,560	26,098,741
FCDU income	(5,487,915)	(25,552,958)	(23,316,140)
Others	(24,626,665)	(6,457,038)	(5,024,686)
Effective income tax	P917,768,296	P933,891,191	P666,355,249

The components of net deferred tax assets and deferred tax liabilities in the statements of financial position follow:

	Beginning Balance (December 31, 2023 Tax Effect)	Amount (Charged) Credited to Profit or Loss	Amount Recognized in OCI	Ending Balance (December 31, 2024 Tax Effect)
Deferred tax assets:				
Allowance for credit and impairment losses	P594,762,020	(P32,137,234)	P -	P562,624,786
Accumulated depreciation on foreclosed properties	219,129,112	24,070,990	-	243,200,102
Lease liability	148,341,109	17,056,627	-	165,397,736
Accrued employee benefits and other expenses	164,455,579	(23,522,577)	-	140,933,002
Unamortized past service cost	-	142,862,686	-	142,862,686
Unrealized loss on foreclosed properties	60,786,237	(6,280,985)	-	54,505,252
Excess of MCIT over RCIT	-	43,060,009	-	43,060,009
Accrued rent expense	1,036,852	240,518	-	1,277,370
	1,188,510,909	165,350,034	-	1,353,860,943
Deferred tax liability:				
Unrealized gain on foreclosed properties	(436,144,626)	(34,575,534)	-	(470,720,160)
Retirement benefits	(59,894,848)	(129,846,007)	-	(189,740,855)
Right-of-use asset	(136,498,762)	(16,698,819)	-	(153,197,581)
Unrealized foreign exchange gain	(62,036,775)	(12,113,607)	-	(74,150,382)
Gain on investment properties sold under installments	(18,239,378)	3,240,548	-	(14,998,830)
Unrealized gain on financial assets at FVPL	-	(2,722,760)	-	(2,722,760)
Unrealized gain on financial assets at FVOCI	(363,597)	-	(946,234)	(1,309,831)
	(713,177,986)	(192,716,179)	(946,234)	(906,840,399)
Net Deferred Tax Assets (Liabilities)	P475,332,923	(P27,366,145)	(P946,234)	P447,020,544
	Beginning Balance (December 31, 2022 Tax Effect)	Amount (Charged) Credited to Profit or Loss	Amount Recognized in OCI	Ending Balance (December 31, 2023 Tax Effect)
Deferred tax assets:				
Allowance for credit and impairment losses	P649,802,754	(P55,040,734)	P -	P594,762,020
Accumulated depreciation on foreclosed properties	206,229,257	12,899,855	-	219,129,112
Accrued employee benefits and other expenses	146,226,619	18,228,960	-	164,455,579
Lease liability	122,728,582	25,612,527	-	148,341,109
Unrealized loss on foreclosed properties	63,726,642	(2,940,405)	-	60,786,237
Accrued rent expense	1,467,162	(430,310)	-	1,036,852
Excess of MCIT over RCIT	25,186,431	(25,186,431)	-	-
	1,215,367,447	(26,856,538)	-	1,188,510,909
Deferred tax liability:				
Unrealized gain on foreclosed properties	(381,520,446)	(54,624,180)	-	(436,144,626)
Right-of-use asset	(108,358,128)	(28,140,634)	-	(136,498,762)
Unrealized foreign exchange gain	(52,974,799)	(9,061,976)	-	(62,036,775)
Retirement benefits	(37,717,776)	(22,177,072)	-	(59,894,848)
Gain on investment properties sold under installments	(22,706,210)	4,466,832	-	(18,239,378)
Unrealized gain on financial assets at FVOCI	-	-	(363,597)	(363,597)
	(603,277,359)	(109,537,030)	(363,597)	(713,177,986)
Net Deferred Tax Assets (Liabilities)	P612,090,088	(P136,393,568)	(P363,597)	P475,332,923

Management believes that certain future deductible items may not be realized in the near foreseeable future as future taxable income may not be sufficient for the related tax benefits to be realized. Accordingly, the Bank did not set up deferred tax assets on the following temporary differences:

	2024		2023		2022	
	Deductible Temporary Differences	Deferred Tax Asset	Deductible Temporary Differences	Deferred Tax Assets	Deductible Temporary Differences	Deferred Tax Assets
Allowance for credit and impairment losses	P2,750,826,400	P687,706,600	P2,826,627,838	P706,656,960	P3,169,422,869	P792,355,717
Unrealized loss on financial assets at FVPL	-	-	4,023,806	1,005,952	4,539,344	1,134,836
Others	30,476,810	7,619,203	168,557,986	42,139,497	216,589,515	54,147,379
Deferred tax items not recognized in profit or loss	2,781,303,210	695,325,803	2,999,209,630	749,802,409	3,390,551,728	847,637,932
Remeasurement losses on retirement liability	331,673,141	82,918,285	365,718,897	91,429,724	77,723,200	19,430,800
Unrealized loss on financial assets at FVOCI	133,169	33,292	-	-	-	-
Deferred tax items not recognized in OCI	331,806,310	82,951,577	365,718,897	91,429,724	77,723,200	19,430,800
	P3,113,109,520	P778,277,380	P3,364,928,527	P841,232,133	P3,468,274,928	P867,068,732

As at December 31, 2024 and 2023, the Bank has no carryforward NOLCO.

Details of the Bank's RBU excess MCIT over RCIT as at December 31, 2024 follow:

Inception Year	Amount	Applied	Balance	Expiry Year
2024	P43,060,009	P -	P43,060,009	2027

33. Related Party Transactions

The Bank has various transactions with its related parties and with certain directors, officers, stockholders and related interests (DOSRI). These transactions usually arise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Bank, transactions with related parties are made substantially on the same terms as with other individuals and businesses of comparable risks.

Under current banking regulations, total outstanding loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the Bank provided, however, that unsecured loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall not exceed 30.0% of their respective total loans, other accommodations and guarantees. Loans, other credit accommodations, and guarantees granted by the Bank to its DOSRI for the purpose of project finance, shall be exempted from the 30.0% unsecured individual ceiling during the project gestation phase provided that the Bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

Except with the prior approval of the MB, the total outstanding loans, other credit accommodations and guarantees to DOSRI shall not exceed 15% of the total loan portfolio of the bank or 100.0% of net worth whichever is lower provided that in no case shall the total unsecured loans, other credit accommodations and guarantees to said DOSRI exceed 30.0% of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower. For the purpose of determining compliance with the ceiling on unsecured loans, other credit accommodations and guarantees, banks shall be allowed to average their ceiling on unsecured loans, other credit accommodations and guarantees every week.

The total outstanding loans, other credit accommodations and guarantees to each of the bank's subsidiaries and affiliates shall not exceed 10.0% of the net worth of the lending bank provided that the unsecured loans, other credit accommodations and guarantees to each of said subsidiaries and affiliates shall not exceed 5.0% of such net worth provided that the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.0% of the net worth of the lending bank provided that these subsidiaries and affiliates are not related interest of any of the director, officer, and/or stockholder of the lending bank.

The following table shows information on related party loans (amounts in thousands, except percentages):

	2024		2023	
	DOSRI Loans	Related Party Loans (inclusive of DOSRI)	DOSRI Loans	Related Party Loans (inclusive of DOSRI)
Total outstanding loans	P59	P52,840,911	P166	P39,011,760
Percent of DOSRI/Related Party loans to total loans	0.00%	39.02%	0.00%	35.66%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	26.02%	0.00%	21.14%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%	0.00%	0.00%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.26%	0.00%	0.35%

The details of significant related party transactions of the Bank follow (amounts in thousands):

Category	Note	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Associate	13			
2024				
Investment in an associate		P -	P34,433	24.26% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		611	-	Share in net loss of BIC
2023				
Investment in an associate		-	35,534	24.26% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		783	-	Share in net loss of BIC
2022				
Investment in an associate		-	39,523	24.26% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		133	-	Share in net loss of BIC

Unless otherwise stated, RPTs disclosed are unsecured.

Category	Note	Amount/Volume			Outstanding Balance		Nature, Terms and Conditions
		2024	2023	2022	2024	2023	
Other Related Parties							
Financial assets at FVOCI:	10						
Private debt securities		P -	P -	P -	P -	P -	Matured bond with interest rate of 6.6%.
Maturities		-	-	300,000	-	-	
Investment securities at amortized cost	11	-	-	-	266,346	345,110	Long-term bonds with interest rates ranging from 6.5% to 8.1% with maturity in 2025.
Maturities		78,770	36,570	-	-	-	Matured bond had interest rate of 7.8%
Loans and receivables - net:	12						
Receivables from customers:		-	-	-	52,543,906	38,819,027	Term, housing, auto, salary and personal loans with interest rates ranging from 4.8% to 19.1% and with maturity of less than 1 year to 20 years; Collateral includes real estate mortgage, unregistered chattel mortgage, hold-out on deposit, assignment of contract and concession agreement, continuing surety agreement, and pledge agreement on shares;
Avaliments		139,453,828	111,576,878	49,176,944	-	-	Accrued interest receivables on loans and long-term bonds;
Settlements		123,122,822	100,198,842	40,503,492	-	-	Interest income on loans and long-term bonds;
							Consists of current, savings and time deposits which earn interest at the respective bank deposit rates
Accrued interest receivables:		-	-	-	340,694	300,454	Interest expense and accrued interest payable on deposits;
Interest income		3,787,163	2,875,183	1,560,266	-	-	Accrued other expenses include professional fees, per diem of Directors and accruals for rent and utilities; On demand, unsecured and non-interest bearing; Other liabilities consist of inward remittance pending payment or application to designated deposit accounts and accounts payable to Bank's officers; On demand, unsecured and non-interest bearing.
Deposit liabilities:	18	-	-	-	77,724,567	59,314,694	Loan, underwriting, and investment-related fees and commission income, gain from the cash sale transactions of foreclosed properties and passed-on GRT
Deposits		7,010,752,811	6,166,071,245	5,689,342,609	-	-	Bank guarantees and outstanding letters of credit in favor of related party and committed credit line
Withdrawals		5,371,332,942	5,048,087,644	4,888,848,456	-	-	
Accrued interest payable	21	968,735	967,838	260,241	78,312	127,398	
Accrued other expenses and other liabilities	21, 22	357,287	319,206	186,621	2,945,125	47,823	
Fees and other income	27, 31	406,456	219,010	292,932	-	-	
Commitments and contingent liabilities	38	-	-	-	25,485,310	24,544,851	

Unless otherwise stated, RPTs disclosed are unsecured and balances are net of allowance

As at December 31, 2024 and 2023, outstanding bills purchased of related parties with contra account in "Other liabilities" amounted to P676.9 million and P772.8 million, respectively (see Notes 12 and 22).

Other related parties are companies linked directly or indirectly to the Bank through one or more intermediaries or are members of the same group, is controlled by, is under the same significant influence, or is under common control with the Bank.

The related party transactions shall be settled in cash.

As at December 31, 2024 and 2023, the allowance for credit losses on outstanding transactions with other related parties amounted to P332.6 million and P210.5 million, respectively. Provision for credit losses recorded in 2024, 2023 and 2022 on such related party transactions totaled to P122.1 million, P120.8 million and P4.5 million, respectively. Such outstanding transactions include investment securities at amortized cost, receivables from customers, and accrued interest receivable under the "Loans and receivables - net" account in the statements of financial position and commitment and contingent liabilities.

Transactions with Retirement Plan

The Bank's retirement plan is managed and administered by the Bank's Trust Services Group which is covered by an Investment Management Account (IMA) Agreement (agency relationship). The fair values of the plan assets are disclosed in Note 29.

Related unaudited financial information on assets/liabilities as at December 31, 2024 and 2023 and income/expense of the funds for the period ended December 31, 2024, 2023 and 2022 follow:

	2024	2023
Investment securities:		
Government and other debt securities	P1,185,718,267	P526,163,095
Quoted equity securities	488,000,625	339,884,175
Unquoted equity securities	2,600	2,600
Loans and other receivables	128,075,796	218,981,103
Deposits with the bank	51,225,145	133,299,081
Total Plan Assets	P1,853,022,433	P1,218,330,054
Trust fee payable	P3,232,525	P257,209
Due to broker	-	1,062,471
Other liabilities	45,706	15,944
Total Plan Liabilities	3,278,231	1,335,624
Net Plan Assets	P1,849,744,202	P1,216,994,430

Plan Income	2024	2023	2022
Interest income	P60,316,990	P46,133,203	P35,630,193
Trading and investment gains (losses) - net	11,347,086	(26,652,785)	(30,901,624)
Dividend income and others	19,078,546	28,632,767	8,901,291
	P90,742,622	P48,113,185	P13,629,860
Plan Expense			
Trust fees	P3,493,486	P3,257,172	P2,775,610
Other expenses	2,107,923	1,980,287	2,134,774
Provision for (reversal of) credit losses	(1,882,383)	1,219,179	2,258,204
	P3,719,026	P6,456,638	P7,168,588

As at December 31, 2024 and 2023, the retirement plan assets of the Bank include 730,670 shares of the Bank classified under financial assets at FVPL. The shares of the Bank were listed in the PSE on March 31, 2022. As at December 31, 2024 and 2023, the fair market value of the shares amounted to P4.9 million and P5.3 million, respectively. Limitations and restrictions are covered by the IMA Agreement and anything outside the IMA Agreement must be explicitly authorized by the Board of Trustees (BOT).

Interest income on deposit with the Bank amounted to P157,906, P40,334, and P4,257 in 2024, 2023 and 2022, respectively. Investments are subject to the limitations of the agreement and all other actions pertaining to the fund are to be executed only upon explicit authority by the BOT of the Fund.

The Bank's contribution to its defined benefits retirement plan amounted to P655.3 million and P180.5 million in 2024 and 2023, respectively. Benefits paid out of the Bank's plan assets amounted to P109.6 million and P105.4 million in 2024 and 2023, respectively (see Note 29).

Compensation of Key Management Personnel of the Bank

The remuneration of directors and other members of key management under "Compensation and fringe benefits" account in the statements of income for the years ended December 31, 2024, 2023 and 2022 follows:

	2024	2023	2022
Short-term employee benefits	P820,006,634	P711,101,785	P555,082,001
Post-employment benefits	44,843,376	30,278,540	37,075,744
	P864,850,010	P741,380,325	P592,157,745

34. Acquisition of Selected Assets and Assumption of Certain Liabilities of TRB

A summary of the significant transactions related to the PSA entered into by the Bank with TRB on November 9, 2001 follows:

- a. TRB sold and transferred, in favor of the Bank, identified recorded assets owned by TRB both real and personal, or in which TRB has title or interest, and which are included and deemed part of the assets listed and referred to in TRB's Consolidated Statement of Condition (CSOC) as at August 31, 2001. The said assets are inclusive of the banking goodwill of TRB, bank premises, licenses to operate its head office and branches, leasehold rights and patents used in connection with its business or products. In consideration of the sale of identified recorded assets, the Bank assumed identified recorded TRB liabilities including contingent liabilities as listed and referred to in its CSOC as at August 31, 2001. The liabilities assumed do not include the liability for the payment of compensation, retirement pay, separation benefits and any labor benefits whatsoever arising from, incidental to, or connected with employment in, or rendition of employee services to TRB, whether permanent, regular, temporary, casual or contractual and items in litigation, both actual and prospective, against TRB.
- b. The Bank is allowed to avail of certain BSP incentives including but not limited to the following: (a) full waiver of the liquidated damages on the emergency loan of TRB and penalties related to reserve deficiencies and all other outstanding penalties at the time of acquisition may be paid over a period of 1 year, (b) relocation of branches shall be allowed within 1 year from the date of BSP approval of the PSA. Relocation shall be allowed in accordance with BSP Circular No. 293. The 90-day notice requirement on branch relocation has been waived, and (c) availment of rediscounting facility window subject to present BSP regulations.
- c. The Bank paid the outstanding emergency advances owed by TRB to BSP originally amounting to P2.4 billion through dacion en pago with mandatory buy-back agreement of certain assets of the Bank and TRB at a price set at 80.0% of the appraised value of those assets (see discussions on Settlement of Liabilities of TRB).
- d. The Bank arranged with PDIC a liquidity facility for the first year following the effectivity date in the amount not to exceed 10.0% of the assumed deposit liabilities of TRB to service unanticipated withdrawals by TRB depositors, subject to terms and conditions as may be imposed by PDIC.

Settlement of Liabilities of TRB

Part of the liabilities of TRB assumed by the Bank includes P2.4 billion emergency advances from BSP. As settlement for the emergency advances, a dacion en pago with mandatory buy-back agreement involving certain bank premises and ROPA (with a dacion price equivalent to 80.0% of the average appraised value of the dacion properties) was executed. The dacion en pago with mandatory buy-back agreement contained the following significant terms and conditions:

- a. The Bank may repurchase the bank premises and ROPA within 10 years from the execution of the agreement.

- b. The buy-back price for the ROPA is the dacion price plus, if applicable, real estate taxes paid by BSP. The buy-back price for the bank premises used in operations shall be the dacion price plus 6.0% simple interest per annum plus 50.0% of rental rates based on prevailing rates in the locality as mutually agreed by the parties with a 4.3% yearly increment.
- c. Any gain on sale of the dacion properties within the 10-year holding period, in excess or over the buy-back price, net of any taxes paid related to the sale, shall be shared 70-30 between the Bank and BSP, respectively.

As approved by BSP, properties of the Bank and TRB with net book value amounting to P2.3 billion fully settled the liabilities to BSP assumed by the Bank from TRB amounting to P2.4 billion at the time of dacion; the difference amounting to P102.0 million was credited to other deferred credits (ODC) account. Expenses incurred related to the dacion of properties were offset against ODC.

The Bank fully settled its emergency loan with BSP in June 2012 through cash settlement and permanent transfer of dacioned properties.

FAA

The summary of significant transactions related to the FAA entered into by the Bank with the PDIC, for acting as a "White Knight" by agreeing to the terms and conditions of the PSA with TRB, follows:

- a. The PDIC granted the Bank a loan amounting to P1.8 billion representing the amount of insured deposits of TRB as at June 30, 2001, which should have been paid by PDIC under a closure scenario. The proceeds of the loan were used to purchase a 20-year government securities with a coupon rate of 15.0% per annum to be pledged as collateral for the loan. Yield on the 20-year government securities (net of 20.0% withholding tax and the 3.0% interest to be paid on the loan from PDIC) shall be used to offset on a staggered basis, for prudential reporting purposes, against TRB's unbooked valuation reserves on NPAs with a total face value of P4.5 billion, which was approved by BSP to be booked as "Miscellaneous assets".

On November 29, 2013, the Bank fully settled its loan from PDIC amounting to P1.8 billion.

- b. The Bank infused additional fresh capital amounting to P200.0 million in 2001 and commits to infuse additional capital in the event a shortfall in order to comply with BSP's pertinent regulations on minimum capital requirement.
- c. The Bank agrees to comply with certain regulatory requirements, to provide information as required by the PDIC, to pursue realization of performance targets based on the financial plan, to secure PDIC's written consent for the appointment of an external auditor, and to entitle PDIC to appoint a consultant.
- d. The Bank shall not, among others, without the prior written consent of PDIC, grant new DOSRI loans, make any single major or significant total capital expenditures within 5 years as defined in the FAA, establish new banking offices or branches, dispose all or substantial portion of its assets except in the ordinary course of business, declare or pay cash dividends, effect any profit sharing or distribution of bonuses to directors and officers of the Bank not in accordance with the financial plan and other transactions or activities not in accordance with the financial plan.

On September 22, 2009, the Bank and PDIC signed a Supplemental Agreement to the 2002 FAA with the following additional terms:

- a. To the extent and in the context relevant to the terms of the FAA, PDIC hereby agrees to a limited adjustment of TRB's unbooked valuation reserves/deferred charges/accumulated operating losses, so as to include operating losses accumulated from the period October 2001 to July 2002 in the amount of P596.0 million which shall bring TRB's total unbooked valuation reserves, deferred charges and accumulated operating losses to P4.5 billion;
- b. Extension of the FAA for such limited period as shall exactly be sufficient to fully set off on staggered basis the MA-TRB against the net yield of the new series 20-year government securities to be purchased to replace the maturing government securities in March 2022 and likewise to be pledged to PDIC; and
- c. Income resulting from the difference between the dacion price and book value of the assets as collateral to BSP, if any, as well as future collections derived by the Bank from NPLs covered by the unbooked valuation reserves shall be deducted from the above amount of P4.5 billion. Such set-off shall be formally and officially reported by BSP to PDIC.

The foregoing Supplemental Agreement did not constitute a significant modification of the terms of the PDIC's below-market loan to the Bank. Had the modification been significant, it would have resulted to the derecognition of the old liability and the recognition of the new liability at its fair value.

In addition, as part of the PSA, there were transactions allowed and approved by BSP, which required different treatment under PFRS Accounting Standards. These transactions and their effects are described below:

Assumption of NPAs of TRB

In addition to the provisions of FAA and subsequent to the approval by BSP and PDIC to recognize NPAs of P144.2 million as miscellaneous assets, the Bank negotiated with BSP and PDIC to include as miscellaneous assets the additional operating losses of TRB amounting to P595.6 million incurred during the transition period of the Bank's assumption of TRB's assets and liabilities.

As at December 31, 2002, a portion of the additional operating losses of TRB amounting to P227.2 million was approved by BSP and PDIC to be included as additional miscellaneous assets. On April 28, 2003, BSP approved the deferral of operating losses amounting to P596.4 million (instead of P595.6 million which was previously negotiated by the Bank and P227.2 million which was previously approved by BSP) thereby increasing the TRB-related bookings to miscellaneous assets to P4.4 billion (see Note 16). NPL included under miscellaneous assets comprised TRB's loans amounting to P3.1 billion as at August 31, 2001 which is excluded in the determination of financial ratios, provisioning and computation of CAR based on the agreed term sheet. Also, BSP considered these miscellaneous assets as non-risk assets and are not subject to classification.

Pursuant to the requirements of PFRS, the allowance for impairment losses on the NPAs amounting to P4.3 billion as at December 31, 2024 and 2023 and P4.4 billion as at December 31, 2022 were charged in full in the period incurred (see Note 16).

For its separate prudential reporting to BSP, the Bank recognized P1.3 billion provisions to fully recognize the impairment losses on the NPAs in 2022 (see Note 16).

35. Notes to Statements of Cash Flows

The following is a summary of noncash activities of the Bank:

	2024	2023	2022
Noncash investing activities:			
Additions to investment properties and other properties acquired in settlement of loans	P560,787,537	P654,419,110	P251,831,964
Additions to ROU assets	282,902,827	313,175,775	159,277,079
Increase in sales contract receivables from sale of investment properties	57,832,282	108,020,017	88,212,765

The following table shows the reconciliation analysis of liabilities arising from financing activities for period ended December 31, 2024, 2023 and 2022:

	2024	2023	2022
Beginning balance	P8,071,629,499	P7,933,164,363	P538,398,243
Additions to lease liabilities	278,651,103	307,649,056	155,593,019
Interest accretion	84,791,505	68,831,053	42,795,198
Cash flows during the year:			
Proceeds	19,763,875,764	3,147,150,433	15,004,528,892
Settlements	(21,001,413,943)	(3,385,165,406)	(7,808,150,989)
	(1,237,538,179)	(238,014,973)	7,196,377,903
Other adjustments	(1,495,286)	-	-
Ending balance	P7,196,038,642	P8,071,629,499	P7,933,164,363

Other adjustments pertain to reductions to lease liabilities due to pre-termination of lease contracts.

As allowed by PAS 7, short-term borrowings from other banks amounting to P13.3 billion, P3.1 billion, and P7.6 billion in 2024, 2023 and 2022, respectively, are presented in the statements of cash flows on a net basis. In 2024 and 2022, cash proceeds include issuance of bonds payable amounting to P6.5 billion and P7.5 billion, respectively. In 2024, cash settlements include settlement of matured bonds amounting to P7.5 billion.

The cash flows from interest and dividend received for the years 2023 and 2022 presented as operating activity in the additional information section of the statement of cash flows were revised to adjust for the cash flows from the interest and dividends received that were previously presented under investing activity. Such reclassification is necessary to align with the primary statement of cash flows and has no material impact to the overall statement of cash flow.

36. Financial Performance Indicators

Basic earnings per share amounts were computed as follows:

	2024	2023	2022
a. Net income	P3,024,939,110	P2,802,219,175	P1,800,068,600
b. Dividends on preferred shares*	242,916,668	187,916,668	148,958,335
c. Net income to equity holders of the Bank	2,782,022,442	2,614,302,507	1,651,110,265
d. Weighted average number of outstanding common shares	1,403,013,920	1,403,013,920	1,334,592,963
e. Basic earnings per share (c/d)	P1.98	P1.86	P1.24

* potential dividends on preferred shares as these were not assumed to be converted.

Diluted earnings per share attributable to equity holders of the Bank were computed as follows:

	2024	2023	2022
a. Net income to equity holders of the Bank	P3,024,939,110	P2,802,219,175	P1,800,068,600
b. Weighted average number of outstanding common shares and dilutive preferred shares: Outstanding common shares* Potential common shares from assumed conversion of preferred shares	1,403,013,920 416,666,670	1,403,013,920 416,666,670	1,334,592,963 416,666,670
c. Total weighted average common shares	1,819,680,590	1,819,680,590	1,751,259,633
d. Diluted earnings per share (a/c)	P1.66	P1.54	P1.03

The following basic ratios measure the financial performance of the Bank:

	2024	2023	2022
Return on average equity	9.44%	9.52%	7.01%
Return on average assets	1.22%	1.25%	0.86%
Net interest margin on average earning assets	4.17%	4.28%	3.73%

37. Events after the Reporting Date

On February 19, 2025, the dual-tranche fixed rate bonds due 2027 (Series C Bonds) and fixed rate bonds due 2030 (Series D Bonds), which were issued as the third tranche of the Bank's increased P50.0 billion Peso Bond Programme, were listed on the Philippine Dealing and Exchange Corporation. Series C Bonds and Series D Bonds, with face value of P10.0 billion and P8.0 billion, respectively, are due on February 19, 2027 and May 19, 2030, respectively. The bonds were priced at par with coupon rate of 6.1942% for Series C Bonds and 6.3494% for Series D Bonds payable on a quarterly basis.

38. Supplementary Information Required under Section 174 and Appendix 55 of the MORB

The following supplementary information is required by Appendix 55 - Disclosure Requirements to the Audited Financial Statements to Section 174 of the MORB of the BSP, issued through BSP Circular No. 1074, *Amendment to Regulations on Financial Audit of Banks*.

(a) Notes to the Financial Statements

- a. *Capital Position* - please refer to Note 24.
- b. *Leverage Ratio and Total Exposure Measure* - please refer to Note 24.
- c. *Liquidity Position* (Liquidity Coverage Ratio and Net Stable Funding Ratio) - please refer to Note 24.
- d. *Provisioning Methodology and Key Assumptions Used in Determining Allowance for Credit Losses* - please refer to Notes 3 and 5.
- e. *Accounting Policies* - please refer to Note 3.

(b) Supplemental Information

- *Financial Performance Indicators* - please refer to Note 36.
- *Description of Capital Instruments Issued* - please refer to Note 24.
- *Significant Credit Exposures* - please refer to Note 5.
- *Breakdown of Total Loans* as to:
 - i. Security - please refer to Note 12
 - ii. Status - please refer to Note 12
- *Information on Related Party Loans* - please refer to Note 33.
- Commitments and Contingencies

In the normal course of operations, the Bank makes various commitments, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingencies at their peso equivalent contractual amounts arising from off-books accounts as at December 31, 2024 and 2023:

	2024	2023
Contingent assets:		
Future/spot exchange bought	P3,412,855,000	P2,683,155,542
Fixed income securities purchased	25,619,362	6,409,295,659
Outward bills for collection	-	5,575,925
	P3,438,474,362	P9,098,027,126
Commitments and contingent liabilities:		
Trust department accounts	P72,733,928,823	P72,133,492,741
Committed credit line	15,658,499,835	16,152,161,850
Unused commercial letters of credit	10,207,552,133	8,181,592,869
Future/spot exchange sold	3,962,382,500	3,181,038,760
Credit card lines	3,866,333,335	3,600,976,933
Outstanding guarantees	2,229,592,892	4,305,962,435
Retirement obligations	154,519,260	-
Late deposits/payments received	59,173,307	67,179,756
Fixed income securities sold	25,619,362	6,450,988
Inward Bills for Collection-Domestic	1,272,590	3,525,034
Items held for safekeeping/securities held as collateral	64,100	45,347
	P108,898,938,137	P107,632,426,713

Retirement obligations pertain to the estimated impact of the amendments to the Bank's retirement plan on past service cost, subject to certain conditions.

The Bank has several loan-related suits, claims and regulatory examinations that remain unsettled or ongoing. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, in consultation with its legal counsels, the suits and claims, if decided adversely, will not involve sums having a material effect on the Bank's financial statements.

Other Commitments

The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

No asset is being pledged by the Bank to secure outstanding liabilities as at December 31, 2024 and 2023.

Trust Assets

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Bank. Total assets held by the Bank's Trust Services Group amounted to P72.7 billion (unaudited) and P72.1 billion (audited) as at December 31, 2024 and 2023, respectively.

In compliance with the requirements of current banking regulations relative to the Bank's trust functions, government securities with face value of P770.0 million as at December 31, 2024 and 2023, which have been included under "Investment securities at amortized cost" (see Note 11), are deposited with BSP.

Other relevant disclosures required by BSP Circular No. 1074 are in Notes 12, 24, 33 and 36.

39. Supplementary Information Required under Revenue Regulations (RR) No. 15-2010

The BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in a note to the separate financial statements. The Bank presented the required supplementary tax information as a separate schedule attached to its annual income tax return.

**BANK OF COMMERCE
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR
FEE-RELATED INFORMATION
DECEMBER 31, 2024**

	2024	2023
Audit services fees:		
Bank Proper September audit	P -	P1,754,000
Bank Proper December audit	3,680,000	3,394,550
Trust audit	1,413,500	700,000
Additional fee for 2023 Trust audit	585,000	-
Total Audit Fees	5,678,500	5,848,550
Non-audit services fees:		
Other assurance services	2,035,000	80,000
Tax services	-	-
All other services	-	-
Total Non-audit Fees	2,035,000	80,000
Total Audit and Non-audit Fees	P7,713,500	P5,928,550

Audit and Non-audit Fees of other related entities

	2024	2023
Audit fees	P -	P -
Non-audit services fees:		
Other assurance services	-	-
Tax services	-	-
All other services	-	-
Total Non-audit Fees	-	-
Total Audit and Non-audit Fees	P -	P -



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Bank of Commerce (the "Bank") as at December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024, and have issued our report thereon dated March 25, 2025.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the financial statements as at December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024, and no material exceptions were noted.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements*
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-038-2022
Issued June 27, 2022; valid until June 26, 2025
PTR No. MKT 10467183
Issued January 2, 2025 at Makati City

**Renewal of accreditation in progress. Partner still qualified to audit of 2024 FS per BSP Circular No. 1210 Series of 2025, Revised Framework for Selecting External Auditors*

March 25, 2025
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Bank of Commerce (the “Bank”) as at December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024 on which we have rendered our report dated March 25, 2025.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Bank taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Bank’s management. Such additional components include:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedules Required by Annex 68-J of the Revised SRC Rule 68
- Relationship Map

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS

Partner

CPA License No. 0102309

BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years
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Issued January 2, 2025 at Makati City

**Renewal of accreditation in progress. Partner still qualified to audit of 2024 FS per BSP Circular No. 1210 Series of 2025, Revised Framework for Selecting External Auditors*

March 25, 2025

Makati City, Metro Manila

BANK OF COMMERCE

SUPPLEMENTARY SCHEDULES REQUIRED BY SRC RULE 68 DECEMBER 31, 2024

Philippine Securities and Exchange Commission (SEC) issued the Revised Securities Regulation Code Rule (SRC) 68. It prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by the Revised SRC Rule 68. These are presented for purposes of filing with the SEC and is not required part of the basic financial statements.

PART I

- Schedule A: Schedule of Financial Soundness Indicators
- Schedule B: Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedule C: Relationship Map

PART II (Schedules Required by Annex 68-J of the Revised SRC Rule 68)

- Schedule A: Financial Assets
- Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
- Schedule C: Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
- Schedule D: Long-Term Debt
- Schedule E: Indebtedness to Related Parties (Long-Term Loans from Related Companies)
- Schedule F: Guarantees of Securities of Other Issuers
- Schedule G: Capital Stock

BANK OF COMMERCE

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS OF DECEMBER 31, 2024 AND DECEMBER 31, 2023

RATIO	FORMULA	RATIO	
		2024	2023
Current Ratio	$\frac{\text{Total current assets}}{\text{Total current liabilities}}$	0.56	0.57
Acid Test Ratio	$\frac{\text{Total current financial assets}}{\text{Total current liabilities}}$	0.55	0.56
Solvency Ratio	$\frac{\text{Net income before non-cash expenses}}{\text{Total liabilities}}$	0.02	0.02
Debt to Equity Ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	6.99	6.51
Asset to Equity Ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	7.99	7.51
Interest Rate Coverage Ratio	$\frac{\text{Net Income before interest and taxes}}{\text{Interest expense}}$	1.97	2.08
Return on Equity	$\frac{\text{Net income}}{\text{Average total equity}}$	9.44%	9.52%
Return on Asset	$\frac{\text{Net income}}{\text{Average total assets}}$	1.22%	1.25%
Net Profit Margin	$\frac{\text{Net income}}{\text{Total revenues}}$	28.12%	28.09%
OTHER RATIOS			
Net Interest Margin	$\frac{\text{Net interest income}}{\text{Average interest-earning assets}}$	4.17%	4.28%
Cost to Income Ratio	$\frac{\text{Total operating expense}}{\text{Total revenues}}$	0.62	0.62
Debt to Assets Ratio	$\frac{\text{Total liabilities}}{\text{Total assets}}$	0.87	0.87
Loans to Deposit Ratio	$\frac{\text{Total gross loans*}}{\text{Total deposits}}$	0.64	0.70
Non-performing Loans Cover	$\frac{\text{Allowance for credit losses on loans}}{\text{Non-performing loans}}$	97.47%	93.21%
Non-performing Loans Ratio**	$\frac{\text{Non-performing loans}}{\text{Total gross loans}}$	1.25%	1.54%
Net Non-performing Loans Ratio**	$\frac{\text{Net non-performing loans}}{\text{Total gross loans}}$	0.49%	0.44%
Capital Adequacy Ratio	$\frac{\text{Total qualifying capital}}{\text{Total risk-weighted assets}}$	17.58%	19.88%

*Gross loans include receivables from customers (loans), interbank loans receivable and securities purchased under resale agreements.

**Computed based on BSP Circular 941

**RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2024**

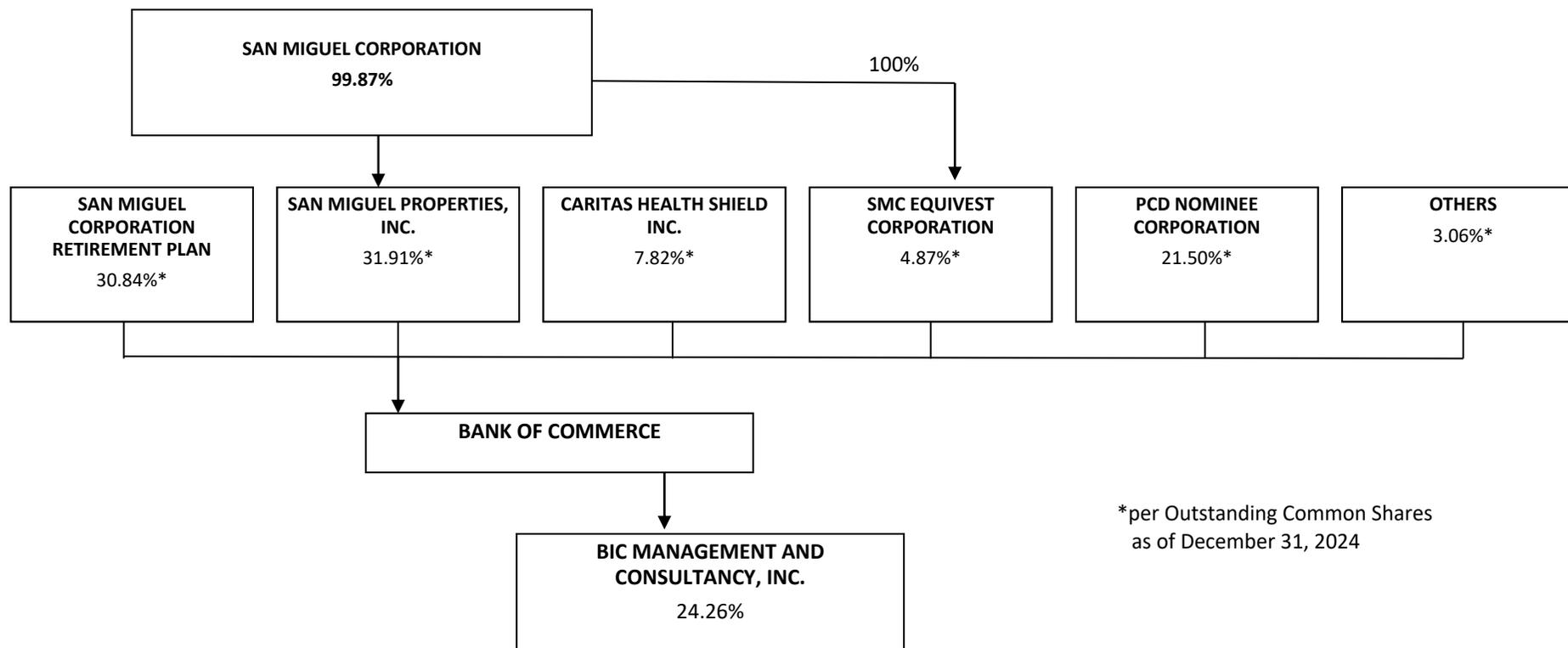
BANK OF COMMERCE

San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City

Unappropriated Retained Earnings, beginning of reporting period		P2,294,087,048
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Transfer of gain on equity securities at FVOCI realized through disposal	P82,303,000	82,303,000
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	(654,937,099)	
Retained earnings appropriated during the reporting period	(74,041,095)	(728,978,194)
Unappropriated Retained Earnings, as adjusted		1,647,411,854
Add: Net income for the current year		3,024,939,110
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	(222,451,145)	
Unrealized fair value gain of Investment Property	(129,944,055)	
Sub-total		(352,395,200)
Add: Category C.3: Unrealized income recognized in the profit or loss in prior reporting periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to Cash and cash equivalents	186,110,324	
Reversal of previously fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	25,842,961	
Reversal of previously fair value gain of Investment Property	7,374,500	
Sub-total		219,327,785
Adjusted Net Income		2,891,871,695
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(11,541,800)	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction	(13,544,393)	
Sub-total		(25,086,193)
Total Retained Earnings, end of reporting period available for dividend		P4,514,197,356

BANK OF COMMERCE

**RELATIONSHIP MAP
DECEMBER 31, 2024**



BANK OF COMMERCE

SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2024
(in thousands)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amounts Shown in the Statement of Financial Position	Value Based on Market Quotation at End of Reporting Period	Income Received and Accrued
Financial Assets at Fair Value through Profit of Loss				
Philippine government	P2,660,109	P2,670,618	P2,670,618	P110,853
Other government	115,690	111,743	111,743	16,057
Derivatives	-	63,717	63,717	-
Private corporations	29,817	29,556	29,556	-
		P2,875,634	P2,875,634	P126,910
Financial Assets at Fair Value through Other Comprehensive Income				
Philippine government	P19,173,105	P19,036,827	P19,036,827	P854,777
Equity securities	162	41,807	41,807	3,855
		P19,078,634	P19,078,634	P858,632
Investment Securities at Amortized Cost				
Philippine government	P33,798,744	P34,461,471	P33,493,716	P1,722,542
Private corporations	2,042,347	2,150,197	1,980,906	80,501
Other government	-	-	-	29,086
		P36,611,668	P35,474,622	P1,832,129

BANK OF COMMERCE**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND
PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2024**

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Ending Balance
NONE TO REPORT <i>Indebtedness arise in the ordinary course of business.</i>							

BANK OF COMMERCE**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2024**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
NONE TO REPORT							
<i>Financial statements are not for consolidation.</i>							

BANK OF COMMERCE

SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2024

Type of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown under Caption “Current Portion of Long-Term Debt” in Related Balance Sheet	Amount Shown under Caption “Long-Term Debt” in Related Balance Sheet	Interest Rates	Amounts or Numbers of Periodic Installments	Maturity Dates
Long-term negotiable certificates of time deposit	P5,029,420,000	P5,029,420,000	P -	4.5000%	Quarterly interest payment	September 17, 2025
Bonds payable	6,569,750,000	6,534,447,698	-	6.5635%	Quarterly interest payment	November 16, 2025

BANK OF COMMERCE**SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES
(LONG TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2024**

Name of Related Parties	Balance at Beginning of Year	Balance at End of Year	Nature, Terms and Conditions
NONE TO REPORT			
<i>No long term loans from related companies.</i>			

BANK OF COMMERCE**SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2024**

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount of Guaranteed and Outstanding	Amount Owned by Person of which Statement is Filed	Nature of Guarantee
NONE TO REPORT <i>No securities were guaranteed.</i>				

BANK OF COMMERCE

SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2024

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under the Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by Related Parties*	Directors, Officers and Employees	Others
Common shares	1,702,511,470	1,403,013,920	-	1,060,517,880	633,440	341,862,600
Preferred Shares	455,000,000	416,666,670	416,666,670	416,666,670	-	-

* Include shares held by Principal/Substantial Stockholders
Required information is disclosed in Note 24: Capital Stock