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S.E.C. Registration Number

P H I L I P P I N E B U S I N E S S B A N K , I N C .

a s a v i n g s b a n k

(Company's Full Name)

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C O R N E R 8 T H A V E N U E G R A C E P A R K

C A L O O C A N C I T Y

(Business Address: No. Street City / Town / Province)

Rolando G. Alvendia	8461-5800 local 5100
Contact Person	Company Telephone Number

	SEC FORM 17-Q	
Month Day	FORM TYPE	Month Day
Fiscal Year		Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2) (b) THEREUNDER

1. For the quarterly period ended **June 30, 2024**

2. SEC Identification Number **A199701584** 3. BIR Tax Identification No. **005-469-606**

4. Exact name of issuer as specified in its charter **Philippine Business Bank, Inc., A Savings Bank**

5. **Caloocan**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. **350 Rizal Avenue corner 8th Avenue Grace Park, Caloocan City** **1400**
   Address of principal office Postal Code

8. **(02) 8363-33-33**
   Issuer's telephone number, including area code

9. **Not Applicable**
   Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	**818,750,094**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [x] No [ ]

    The Bank was listed in Philippine Stock Exchange last February 19, 2013

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

PHILIPPINE STOCK EXCHANGE **COMMON SHARES OF STOCK**

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [√] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ ] No [√]

PART I – FINANCIAL INFORMATION

Item I:
Financial Statements (Attachment 1 - Unaudited Interim Financial Statements)

Item II:
Management's Discussion & Analysis of Financial Position and Results of Operations

PART II – OTHER INFORMATION

Please refer to the following:

Attachment 2 – Aging of Past Due Loans and Other Receivables
Attachment 3 – Consolidated Financial Ratios

There are no material disclosures that have not been reported under SEC Form 17-C during the period covered by this report.

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 thereunto duly authorized.

PHILIPPINE BUSINESS BANK, INC.
Issuer

By:

ROLANDO R. AVANTE
Vice Chairman, President & CEO

CYNTHIA A. ALMIREZ
Operations and Control Group Head

ROLANDO G. ALVENDIA
Chief Accountant

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying financial reporting package (FRP) of Philippine Business Bank ("PBB" or the "Bank") which comprise the Bank's financial position as of June 30, 2024 and December 31, 2023 and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the six-month periods ending June 30, 2024 and June 30, 2023 have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis

	For the six-months ended			
	6/30/2024	6/30/2023	Variance	%
Interest Income				
Loans and other receivables	₱ 4,512,067,316	₱ 3,900,919,891	₱ 611,147,425	15.7
Investment and trading securities	575,403,866	350,036,985	225,366,881	64.4
Due from BSP and other banks	96,621,938	174,138,577	(77,516,639)	(44.5)
	5,184,093,120	4,425,095,453	758,997,667	17.2
Interest expense	(1,836,532,376)	(1,264,537,261)	(571,995,115)	45.2
Net interest income	**3,347,560,744**	**3,160,558,192**	**187,002,552**	**5.9**

In the first half of 2024, the Bank recorded an increase of 15.7% and 64.4% in interest income on loans and other receivables, and investment and trading securities, respectively. The increase in interest income was a result of higher volumes booked. Overall interest income posted a 17.2% growth year-over-year ("YoY") or ₱759.0 million improvement versus six-months ended June 2024.

Funding cost was higher in the first six months of 2024, up by ₱572.0 million versus 1H2023 due to higher deposit rates and availment of bills payable.

As a result, net interest income reached ₱3,347.6 million for the first half ended June 2024, up 5.9% YoY.

	For the six-months ended			
	6/30/2024	6/30/2023	Variance	%
Net interest income	₱ 3,347,560,744	₱ 3,160,558,192	₱ 187,002,552	5.9
Service charges, fees, and commissions	141,122,284	83,781,576	57,340,708	68.4
Miscellaneous	303,815,803	186,742,197	117,073,606	62.7
	3,792,498,831	3,431,081,965	361,416,866	10.5
Non-interest expenses	(2,082,475,941)	(2,022,381,250)	(60,094,691)	3.0
Core income	**1,710,022,890**	**1,408,700,715**	**301,322,175**	**21.4**

Other income rose by 64.5% from ₱270.5 million to ₱444.9 million mainly due higher gains to foreign exchange activities and service fees. Operating expenses in the first half of 2024 amounted to ₱2,082.5 million, or 3.0% higher than ₱2,022.4 million in 1H2023. This is mainly due to the growth in bank's organization and the attendant increase in total salaries and employee benefits expenses.

As a result, PBB's core income grew by 21.4% from ₱1,408.7 million last year to ₱1,710.0 million as of June 2024.

	For the six-months ended			
	6/30/2024	6/30/2023	Variance	%
Core income	₱ 1,710,022,890	₱ 1,408,700,715	₱ 301,322,175	21.4
Trading gains (losses)	(127,798,877)	104,842,759	(232,641,636)	(221.9)
Pre-tax pre-provision profit	**1,582,224,013**	**1,513,543,474**	**68,680,539**	**4.5**
Loan loss provision	(200,000,000)	(350,000,000)	(163,961,097)	(42.9)
Profit before tax	1,382,224,013	1,163,543,474	(95,280,558)	18.8
Taxes	(350,178,523)	(294,300,826)	(259,241,655)	19.0
Net income	**1,032,045,490**	**869,242,648**	**(449,802,771)**	**18.7**

Trading losses during the first six months of 2024 ended at ₱127.8 million versus a total of ₱104.8 million trading gains recorded in the same period last year. This brought pre-tax pre-provision profit at ₱1,582.2 million as of June 2024, up 4.5% YoY.

The Bank set aside a total of ₱200.0 million as of the second half of 2024 for its loan loss build. As a result, net income ended at ₱1,032.0 million as of the first half of 2024, 18.7% higher than the first half 2023 of ₱869.2 million.

Annualized return on equity (ROE) and annualized return on assets (ROA) stood at 11.19% and 1.34%, respectively.

For the quarters ended June 30, 2024 and March 31, 2024:

	For the quarters ended			
	6/30/2024	3/31/2024	Variance	%
Interest Income				
Loans and other receivables	₱ 2,339,261,449	₱ 2,172,805,867	₱ 166,455,582	7.7
Investment and trading securities	287,188,784	288,215,082	(1,026,298)	(0.4)
Due from BSP and other banks	38,378,511	58,243,427	(19,864,916)	(34.1)
	2,664,828,744	2,519,264,376	145,564,368	5.8
Interest expense	(941,776,532)	(894,755,844)	(47,020,688)	5.3
Net interest income	**1,723,052,212**	**1,624,508,532**	**98,543,680**	**6.1**

Interest income in the second quarter of 2024 ended at ₱2,339.3 million, 7.7% higher than ₱2,172.8 million in the first quarter due to the continuous increase in volume and interest rates. Overall interest expense stood at ₱941.8 million in 2Q2024 versus last quarter's ₱894.8 million mainly because of the increase in interest expense from the increase in volume of time deposits.

As a result, net interest income reached ₱1,723.1 million for the quarter ended June 2024, 6.1% higher against 1Q2024's ₱1,624.5 million.

	For the quarters ended			
	6/30/2024	3/31/2024	Variance	%
Net interest income	₱ 1,723,052,212	₱ 1,624,508,532	₱ 98,543,680	6.1
Service charges, fees, and commissions	70,531,982	70,590,302	(58,320)	(0.1)
Miscellaneous	163,718,682	140,097,121	23,621,561	16.9
	1,957,302,876	1,835,195,955	122,106,921	6.7
Non-interest expenses	(1,029,782,276)	(1,052,693,665)	22,911,389	(2.2)
Core income	**927,520,600**	**782,502,290**	**145,018,310**	**18.5**

Other income ended at ₱234.3 million in 2Q2024. Service charges, fees, and commissions remained flat versus last linked quarter ("LLQ") while miscellaneous income was higher by 16.9% as PBB earned income on foreign exchange gains.

Operating expenses slightly declined by 2.2% versus last linked quarter ("LLQ"). As a result of the changes in the Bank's key income and expenses, core income posted an 18.5% increase in the second quarter versus the first quarter of 2024.

		For the quarters ended		
	6/30/2024	3/31/2024	Variance	%
Core income	₱ 927,520,600	₱ 782,502,290	₱ 145,018,310	18.5
Trading gains (losses)	(75,124,068)	(52,674,809)	(22,449,259)	42.6
Pre-tax pre-provision profit	**852,396,532**	**729,827,481**	**122,569,051**	**16.8**
Loan loss provision	(150,000,000)	(50,000,000)	100,119,792	200.0
Profit before tax	702,396,532	679,827,481	222,688,843	3.3
Taxes	(181,821,123)	(168,357,400)	322,808,635	8.0
Net income	**520,575,409**	**511,470,081**	**768,186,321**	**1.8**

Pre-tax pre-provision profit during the second quarter was 16.8% higher versus LLQ due to higher core income earned in the second quarter of 2024.

The Bank set aside an additional ₱150.0 million for its loan loss reserves in 2Q2024.

As a result, net income was higher compared to the first quarter income of ₱511.5 million, up by 1.8%.

For the quarters ended June 30, 2024 and 2023:

		For the quarters ended		
	6/30/2024	6/30/2023	Variance	%
Interest Income				
Loans and other receivables	₱ 2,339,261,449	₱ 1,957,523,471	₱ 381,737,978	19.5
Investment and trading securities	287,188,784	178,716,590	108,472,194	60.7
Due from BSP and other banks	38,378,511	80,021,521	(41,643,010)	(52.0)
	2,664,828,744	2,216,261,582	448,567,162	20.2
Interest expense	(941,776,532)	(654,170,445)	(287,606,087)	44.0
Net interest income	**1,723,052,212**	**1,562,091,137**	**160,961,075**	**10.3**

Overall interest income in the second quarter of 2024 was ₱448.6 million higher compared to the second quarter of 2023. Interest income on loans increased by 19.5% versus 2Q2023 due to the continued increase in volumes during the year.

Similarly, interest expense also grew from ₱654.1 million in 2Q2023 to ₱941.8 million this quarter largely due to the ₱238.3 million increase in interest expense on deposit liabilities.

As a result, net interest income as of 2Q2024 stood at ₱1,723.1 million, 10.3% higher than 2Q2023's ₱1,562.1 million.

		For the quarters ended		
	6/30/2024	6/30/2023	Variance	%
Net interest income	₱ 1,723,052,212	₱ 1,562,091,137	₱ 160,961,075	10.3
Service charges, fees, and commissions	70,531,982	34,922,622	35,609,360	102.0
Miscellaneous	163,718,682	105,891,917	57,826,765	54.6
	1,957,302,876	1,702,905,676	254,397,200	14.9
Non-interest expenses	(1,029,782,276)	(1,012,745,810)	(17,036,466)	1.7
Core income	**927,520,600**	**690,159,866**	**237,360,734**	**34.4**

Other income in the second quarter of 2024 recorded a 66.4% increase from ₱140.8 million in the same quarter last year. This is due to the higher service charges, fees, and commissions owing to the increase in Makaguro Loans. Non-interest expenses were up by 1.7% to ₱1,029.8 million from ₱1,012.7 million.

As a result, core income was 34.4% higher than the second quarter last year of ₱690.2 million to ₱927.5 million in 2Q2024.

		For the quarters ended		
	6/30/2024	6/30/2023	Variance	%
Core income	₱ 927,520,600	₱ 690,159,866	₱ 237,360,734	34.4
Trading gains (losses)	(75,124,068)	(3,861,176)	(71,262,892)	1,845.6
Pre-tax pre-provision profit	**852,396,532**	**686,298,689**	**166,097,843**	**24.2**
Loan loss provision	(150,000,000)	(150,000,000)	94,834,951	-
Profit before tax	702,396,532	536,298,689	260,932,793	31.0
Taxes	(181,821,123)	(155,873,598)	355,767,744	16.6
Net income	**520,575,409**	**380,425,091**	**877,633,331**	**36.8**

PBB incurred higher trading losses this quarter amounting to ₱75.1 million from ₱3.9 million in the same quarter last year. Pre-tax pre-provision profit grew 24.2% or ₱166.1 million higher versus 2Q2023.

Loan loss provision in the second quarter of 2024 reached ₱150.0 million same in the same quarter last year.

As a result, net income posted a 36.8% higher from ₱380.4 million to ₱520.6 million in 2024.

Financial condition as of June 30, 2024 versus December 31, 2023:

Amounts in Thousand Pesos	6/30/2024	12/31/2023	Variance	%
Loans and other receivables - net	₱ 118,683,036	₱ 117,563,936	₱ 1,119,100	1.0
Deposits	126,380,475	126,718,716	(338,241)	(0.3)
Assets	154,449,724	154,414,455	35,269	0.0
Equity	18,444,689	18,014,463	430,226	2.4

Net loans and other receivables, representing 76.8% and 76.1% of the Bank's total assets as of June 2024 and December 2023 respectively, grew to ₱118.7 billion from ₱117.6 billion versus year-end. Total assets reached ₱154.4 billion as of the first half of 2024.

Deposit liabilities as of June 30, 2024 stood at ₱126.4 billion, lower by 0.3% from ₱126.7 billion as of year-end 2023.

Total equity stood at ₱18.4 billion, up by 2.4% versus ₱18.0 billion capital in year-end 2023. Net book value per share as of June 30, 2024 was at ₱21.77, down by 1.6% from ₱21.75 in December 2023.

A. Key Performance Indicators

Capital Adequacy Ratio (CAR): A measure of a bank's financial strength, stood at 12.66% by the end of the second quarter of 2024, above the 10.00% statutory requirement.

Asset Quality: The Bank's non-performing loans (NPL) ratio decreased by 75 basis points to 4.95% as of June 30, 2024 from 5.70% in December 31, 2023.

Profitability: Annualized return on average equity (ROAE) of 11.32% was higher versus December 31, 2023. Annualized return on average assets (ROAA) was higher in the first half of 2024 at 1.34% versus year-end 2023.

Liquidity: The Bank's loans-to-deposit ratio stood at 93.91% as of 2Q2024.

Cost efficiency: Cost-to-income ratio was at 56.83% as of June 2024 from 54.16% in December 31, 2023.

B. Discussions on Key Variable and Other Qualitative and Quantitative Factors

Vertical and Horizontal Analysis

Financial Condition (June 30, 2024 vs. December 31, 2023)

- PBB's assets reached ₱154.5 million as of June 30, 2024. This is higher compared to December 31, 2023's figure of ₱154.4 million. Significant changes (more than 5%) in assets were registered in the following accounts:

  a. Cash and other cash items decreased by ₱388 million to ₱929 million as of the second quarter of 2024

  b. Due from Bangko Sentral ng Pilipinas went down to ₱4.1 billion and Due from other banks decreased by 37.1%

c. Investment properties ended at ₱1.6 billion as of June 2024, up 10.8%

d. Other resources grew by 21.0% from ₱2.5 billion as of December 2023 to ₱3.1 billion in the second quarter of 2024

- Total liabilities amounted to ₱136.0 million as of June 30, 2024 which is flat versus audited 2023.

- Total equity stood at ₱18.4 billion, up by 2.4% versus ₱18.0 billion capital in year-end 2023. Net book value per share as of June 30, 2024 was at ₱21.77, up by 1.6% from ₱21.75 in December 2023.

Results of Operations for the second quarter ended June 30, 2024 and June 30, 2023

- Interest income increased to ₱5,184.1 million as interest on loans and other receivables and investment and trading securities grew by 15.7% and 64.4%, respectively. Interest expenses on deposit liabilities also rose by ₱473.2 million, bringing the total interest expense to ₱1,836.5 million in the second quarter of 2024. As a result, net interest income ended at ₱3,347.6 million, up 5.9%.

- Other income increased by 64.5% in the second quarter of 2024 from ₱270.5 million to ₱444.9 million mainly due higher gains to foreign exchange activities and service fees.

- Non-interest expenses stood at ₱2,082.5 million in the second quarter of 2024 against the ₱2,022.4 million figure of the same quarter last year.

- PBB recorded a 21.4% growth of core income in 2Q2024 from ₱1,710.0 million to ₱1,408.7 million.

- The Bank set aside a portion of its income for its loan loss provisions for the second quarter of 2024 amounting to ₱150.0 million, same as the same quarter last year.

- As a result, net income for the second quarter of 2024 posted an 18.7% YoY increase from ₱869.2 million in 2023 to ₱1,032.0 million.

Significant Elements of Income or Loss

Significant elements of the net income of the Bank for the period ended June 30, 2023 came from its operations. A significant portion came from the core business of interest income on loans and trading gains/losses from the sale of Peso securities.

Known trends, demands, commitments, events or uncertainties

There are no known demands, commitments, events or uncertainties that will have a material impact on the Bank's liquidity within the next twelve (12) months.

Events that will trigger direct or contingent financial obligation

There are no events that will trigger direct or contingent financial obligation that is material to the Bank, including any default or acceleration of an obligation.

Material off-balance sheet transactions, arrangements or obligations

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Bank with unsolicited entities or other persons created during the reporting period other than those disclosed in the financial statements.

Significant Elements of Income or Loss

Significant elements of the consolidated net income for the six months period ended June 30, 2023 and 2022 came from its continuing operations.

Seasonal Aspects

There are no seasonal aspects that had a material effect on the Bank's financial position and results of operations.

Attachment 1

PHILIPPINE BUSINESS BANK, INC.
As of June 30, 2024 (Unaudited) and December 31, 2023 (Audited)
And for the Six Months Ended June 30, 2024 and 2023 (Unaudited)

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND DECEMBER 31, 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
R E S O U R C E S			
CASH AND OTHER CASH ITEMS	9	**P 928,955,848**	P 1,316,780,680
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	**4,125,465,715**	4,498,604,149
DUE FROM OTHER BANKS	10	**2,623,951,365**	4,170,280,397
TRADING AND INVESTMENT SECURITIES – Net	11		
At fair value through profit or loss (FVPL)		**7,673,572,792**	6,782,337,118
At fair value through other comprehensive income (FVOCI)		**13,347,724,420**	13,765,424,913
At amortized cost - net		**1,550,284,251**	1,501,256,354
LOANS AND OTHER RECEIVABLES – Net	12	**118,683,035,743**	117,563,935,794
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – Net		**893,475,143**	874,738,714
INVESTMENT PROPERTIES – Net		**1,567,947,182**	1,415,433,957
DEFERRED TAX ASSEETS -Net		**1,662,742,372**	1,612,742,372
OTHER RESOURCES – Net	13	**1,392,568,847**	912,920,356
TOTAL RESOURCES		**P 154,449,723,678**	P 154,414,454,804
LIABILITIES AND EQUITY			
DEPOSIT LIABILITIES	14		
Demand		**P 47,933,947,335**	P 52,749,203,605
Savings		**14,361,435,464**	15,567,082,699
Time		**64,085,092,327**	58,402,429,713
Total Deposit Liabilities		**126,380,475,126**	126,718,716,017
BILLS PAYABLE	15	**4,637,500,000**	4,750,000,000
ACCRUED EXPENSES AND OTHER LIABILITIES	17	**4,987,059,325**	4,931,275,495
Total Liabilities		**136,005,034,451**	136,399,991,512
EQUITY	18		
Capital stock		**8,807,500,940**	8,807,500,940
Additional paid-in capital		**1,998,396,816**	1,998,396,816
Surplus		**8,965,741,150**	8,310,081,418
Revaluation reserves		**(1,326,949,679)**	(1,101,515,882)
Total Equity		**18,444,689,227**	18,014,463,292
TOTAL LIABILITIES AND EQUITY		**P 154,449,723,678**	P 154,414,454,804

See Notes to Financial Statements.

PHILIPPINE BUSINESS BANK, INC. A SAVINGS BANK
UNAUDITED STATEMENTS OF INCOME
FOR SIX MONTHS PERIOD ENDED JUNE 30, 2024 AND JUNE 30, 2023
(Amounts in Philippine Pesos)

	For the quarter ended June 30, 2024	For the quarter ended June 30, 2023	Unaudited For the six months ended June 30, 2024	Unaudited For the six months ended June 30, 2023
INTEREST INCOME				
Loans and other receivables	P 2,339,261,449	P 1,957,523,471	P 4,512,067,316	P 3,900,919,891
Investment and trading securities	287,188,784	178,716,589	575,403,866	350,036,985
Due from Bangko Sentral ng Pilipinas and other banks	38,378,511	80,021,522	96,621,938	174,138,577
Others	-	-	-	-
	2,664,828,744	2,216,261,582	5,184,093,120	4,425,095,453
INTEREST EXPENSE				
Deposit liabilities	869,986,705	631,686,556	1,697,567,075	1,224,348,511
Bills payable	71,789,075	22,483,889	138,964,549	40,188,750
Others	-	-	752	-
	941,775,780	654,170,445	1,836,532,376	1,264,537,261
NET INTEREST INCOME	1,723,052,964	1,562,091,137	3,347,560,744	3,160,558,192
IMPAIRMENT LOSSES	150,000,000	150,000,000	200,000,000	350,000,000
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	1,573,052,964	1,412,091,137	3,147,560,744	2,810,558,192
OTHER INCOME				
Trading gains - net	(198,389,179)	55,983,805	(127,798,877)	104,842,759
Service charges, fees and commissions	193,797,093	(24,922,359)	141,122,284	83,781,576
Miscellaneous	163,718,682	105,891,917	303,815,803	186,742,197
	159,126,596	136,953,363	317,139,210	375,366,532
OTHER EXPENSES				
Salaries and other employee benefits	356,882,914	334,543,943	717,908,255	650,396,039
Taxes and licenses	242,099,513	261,716,893	498,460,250	519,362,566
Occupancy	127,375,782	110,659,223	251,207,578	223,497,486
Management and other professional fees	61,323,085	47,934,952	135,804,231	115,565,797
Depreciation and amortization	41,659,364	50,589,798	90,293,082	102,748,003
Insurance	81,995,623	77,739,980	150,748,321	140,687,696
Representation and entertainment	14,882,939	11,733,988	35,110,407	27,028,559
Miscellaneous	103,563,056	117,827,034	202,943,817	243,095,104
	1,029,782,276	1,012,745,811	2,082,475,941	2,022,381,250
PROFIT BEFORE TAX	702,397,284	536,298,689	1,382,224,013	1,163,543,474
TAX EXPENSE	181,821,123	155,873,598	350,178,523	294,300,826
NET PROFIT	P 520,576,161	P 380,425,091	P 1,032,045,490	P 869,242,648
Earnings Per Share				
Basic			P 0.76	P 1.01
Diluted			P 0.76	P 1.01

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF COMPREHENSIVE INCOME
FOR SIX MONTHS PERIOD ENDED JUNE 30, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2024	2023	2022
NET PROFIT		P 1,032,045,490	P 869,242,648	P 620,284,007
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequently to profit or loss				
Fair value losses on investment securities at FVOCI during the year - net		(225,433,802)	272,171,094	(1,300,378,893)
Expected credit losses on AFS investments				4,229,457
		-	-	-
		(225,433,802)	272,171,094	(1,296,149,436)
Other Comprehensive Income (Loss) - Net of Tax		(225,433,802)	272,171,094	(1,296,149,436)
TOTAL COMPREHENSIVE INCOME		P 806,611,688	P 1,141,413,742	(675,865,429)

See Notes to Financial Statements.

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF CHANGES IN EQUITY
FOR SIX MONTHS PERIOD ENDED JUNE 30, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	Capital Stock (see Note 18.1) Preferred Stock	Capital Stock (see Note 18.1) Common Stock	Additional Paid-in Capital (see Note 18.4)	Deposit on Future Stock Subscription	Surplus (see Note 18.3) Appropriated	Surplus (see Note 18.3) Unappropriated	Value Losses on Investment Securities at FVOCI	P Accumulated Actuarial Losses	P Total Equity
BALANCE AS OF JANUARY 1, 2024		**P 620,000,000**	**P 8,187,500,940**	**P 1,998,396,816**	-	**P 829,350,345**	**P 7,480,731,073**	**(P 1,003,581,753)**	**(P 97,934,129)**	**P 18,014,463,292**
										-
Translation difference of FCDU undivided										**-**
profits transferred to RBU books							**31,651,785**			**31,651,785**
Cash dividend							**(408,037,542)**			**(408,037,542)**
Total comprehensive income (loss)		**-**	**-**	**-**	**-**	**-**	**1,032,045,490**	**(225,433,802)**	**-**	**806,611,688**
BALANCE AS OF June 30, 2024		**P 620,000,000**	**P 8,187,500,940**	**P 1,998,396,816**	**-**	**P 829,350,345**	**P 8,136,390,806**	**(P 1,229,015,555)**	**(P 97,934,129)**	**P 18,444,689,223**
BALANCE AS OF JANUARY 1, 2023		P 620,000,000	P 6,437,500,940	P 1,998,396,816	P 312,500,000	P 733,615,810	P 6,078,611,161	(P 1,536,013,208)	(P 68,278,930)	P 14,576,332,589
										-
Prior year adjustment not yet taken up in the books							(5,802,337)	(607,336)	-	(6,409,673)
Translation difference of FCDU undivided										
profits transferred to RBU books							(1,322,866)			(1,322,866)
Cash dividend on preferred shares							(39,600,000)			(39,600,000)
Cumulative foreign currency translation							34,532,141	(438,600)		34,093,541
Share issurance			1,750,000,000		(312,500,000)					1,437,500,000
Total comprehensive income (loss)		-	-	-	-	-	869,242,648	272,171,094	-	1,141,413,742
BALANCE AS OF JUNE 30, 2023		P 620,000,000	P 8,187,500,940	P 1,998,396,816	-	P 733,615,810	P 6,935,660,747	(P 1,264,888,050)	(P 68,278,930)	P 17,142,007,333
										-
BALANCE AS OF JANUARY 1, 2022		P 620,000,000	P 6,437,500,940	P 1,998,396,816		P 374,242,445	P 5,245,335,032	(P 125,395,426)	(P 86,999,212)	P 14,463,080,595
										-
Prior year adjustment not yet taken up in the books							(93,483,226)	-	-	(93,483,226)
Cash dividend on preferred shares							(118,800,000)			(118,800,000)
Total comprehensive income (loss)		-	-	-	-	-	620,284,007	(1,296,149,437)	-	(675,865,430)
BALANCE AS OF JUNE 30, 2022		P 620,000,000	P 6,437,500,940	P 1,998,396,816	-	P 374,242,445	P 5,653,335,813	(P 1,421,544,863)	(P 86,999,212)	P 13,574,931,939

See Notes to Financial Statements.

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF CASH FLOWS
FOR SIX MONTHS PERIOD ENDED JUNE 30, 2024 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 1,382,224,013	P 1,163,543,474	P 854,248,434
Adjustments for:				
Impairment losses		200,000,000	350,000,000	325,000,000
Depreciation and amortization		90,293,084	102,748,003	91,803,383
Foreign currency revaluation of investment securities		(144,752,237)	23,069,833	(165,271,451)
Loss (gain) on sale of properties - net.		479,504	(15,126,976)	12,146,049
Amortization of bond issue cost		-	-	4,647,360
Amortization of premium (discount)		27,982,762	16,406,441	16,938,947
Operating profit before working capital changes		1,556,227,126	1,640,640,775	1,139,512,722
Decrease (increase) in trading and investment securities at FVPL		(891,235,674)	(1,451,523,440)	171,673,511
Increase in loans and other receivables		(6,111,696,863)	(2,107,387,058)	(6,894,717,398)
Decrease (Increase) in investment and other properties		(152,992,729)	17,779,602	(440,980,237)
Decrease (increase) in other resources		(417,538,561)	(911,287,262)	(975,568,820)
Increase (decrease) in deposit liabilities		(338,240,891)	(2,221,757,663)	(7,548,453,014)
Increase (decrease) in accrued expenses and other liabilities		73,375,723	1,353,335,115	3,506,722,012
Cash generated from (used in) operations		(6,282,101,869)	(3,680,199,931)	(11,041,811,224)
Cash paid for income taxes		(417,770,417)	(450,157,868)	(338,445,501)
Net Cash From (Used in) Operating Activities		(6,699,872,286)	(4,130,357,799)	(11,380,256,725)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of investment securities at FVOCI		-	(425,338,902)	(294,711,523)
Proceeds from sale, redemption, and maturities of investment securities FVOCI		308,610,000	325,000,000	-
Acquisitions and maturities of investment securities at amortized cost		(49,027,897)	309,702,869	(271,898,475)
Acquisitions of bank premises, furniture, fixtures and equipment		(109,029,513)	(115,085,631)	(95,684,919)
		-	-	-
Net Cash From (Used in) Investing Activities		150,552,590	94,278,336	(662,294,917)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net borrowings (Payments)of bills payable		(112,500,000)	1,000,000,000	-
Payment of cash dividend		(408,037,542)	(39,600,000)	(118,800,000)
Proceeds from share issuance		-	1,437,500,000	
Payment of Corporate notes payable		-	-	(3,000,000,000)
Net Cash From (Used in) Financing Activities		(520,537,542)	2,397,900,000	(3,118,800,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(7,069,857,238)	(1,638,179,463)	(15,161,351,642)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR				
Cash and other cash items	9	1,316,780,680	1,247,987,230	1,430,787,675
Due from Bangko Sentral ng Pilipinas	9	4,498,604,149	6,102,228,578	16,754,028,342
Due from other banks	10	4,170,280,397	5,215,663,162	3,474,970,323
Securities under reserve repurchase agreement	12	4,992,596,914	2,394,635,343	2,538,411,628
Foreign currency notes and coins on hand	13	68,818,715	115,675,334	88,410,961
		15,047,080,855	15,076,189,647	24,286,608,929
CASH AND CASH EQUIVALENTS AT END OF THE YEAR				
Cash and other cash items	9	928,955,848	2,652,631,690	917,407,187
Due from Bangko Sentral ng Pilipinas	9	4,125,465,715	4,734,106,621	2,743,451,202
Due from other banks	10	2,623,951,365	5,047,559,186	3,897,799,805
Interbank call loan receivable	12	-	-	-
Securities under reserve repurchase agreement	12	200,000,000	933,061,925	1,478,758,464
Foreign currency notes and coins on hand	13	98,850,689	70,650,762	87,840,629
		7,977,223,617	13,438,010,184	9,125,257,287

See Notes to Financial Statements.

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND DECEMBER 31, 2023
(Amounts in Philippine Pesos or As Otherwise Indicated)

1. CORPORATE MATTERS

1.1 Incorporation and Operations

Philippine Business Bank, Inc., A Savings Bank (the Bank or PBB) was incorporated in the Philippines on January 28, 1997 to engage in the business of thrift banking. It was authorized to engage inforeign currency deposit operations on August 27, 1997 and in trust operations on November 13, 2003. The Bank is a publicly listed entity in the Philippine Stock Exchange (PSE). It had its initial public offering (IPO) of shares on February 13, 2013(see Note 18).

As a banking institution, the Bank's operations are regulated and supervised by the Bangko Sentral ng Pilipinas (BSP). In this regard, the Bank is required to comply with rules and regulations of the BSP such as those relating to maintenance of reserve requirements on deposit liabilities and those relating to adoption and use of safe and sound banking practices, among others, as promulgated by the BSP. Its activities are subject to the provisions of the General Banking Law of 2000 [Republic Act (RA) No. 8791] and other relevant laws.

PBB is the first savings bank in the Philippines that obtained the BSP approval to issue foreign letters of credit and pay/accept/negotiate import/export drafts/bills of exchange under RA Nos. 8791 and 7906 and the Manual of Regulations for Banks. It was granted in April 2010.

The Bank operates in the Philippines and, as of June 30, 2024 and December 31, 2023, it has 158 and 157 branches respectively, located nationwide.

The Bank's registered address, which is also its principal place of business, is at 350 Rizal Avenue Extension corner 8th Avenue, Grace Park, Caloocan City.

1.2 Approval of the Financial Statements

The financial statements of the Bank as of and for the six months period ended June 30, 2024 (including the comparative financial statements as of December 31, 2023 and for the six months period ended June 30, 2023 and 2022) were authorized for issue by the Bank's Board of Directors (BOD) on July 17, 2024.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies that have been used in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC), from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of resource, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Bank presents a statement of comprehensive income separate from the statement of profit or loss.

The Bank presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Bank's functional and presentation currency, and all values represent absolute amounts, except when otherwise indicated.

Items included in the financial statements of the Bank are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Bank operates. The financial statements of the Bank's foreign currency deposit unit (FCDU), which is reported in United States (US) dollar, are translated to Philippine peso based on Bankers Association of the Philippine (BAP) closing rate prevailing at the end of reporting period for the statement of financial position accounts and at BAP weighted average rate for the period for the profit and loss.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2023 that are Relevant to the Bank

The Bank adopted for the first time the following amendments and revision to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

PAS 1 and PFRS Practice Statement 2 (Amendments)	:	Presentation of Financial Statements-Disclosure of Accounting Policies
PAS 8 (Amendments)	:	Definition of Accounting Estimates
PAS 12 (Amendments)	:	Deferred Tax Related to Assets and Liabilities from A Single Transaction Contingent Assets – Onerous

2.3 Financial Instruments

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized on their settlement date (i.e., the date that the Bank commits to purchase or sell the asset).

(a) Financial Assets

(i) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets are described as follows.

Financial Assets at Amortized Cost

Where the business model is to hold assets to collect contractual cash flows, the Bank assesses whether the financial instruments' cash flows represent amount that are solely payment of principal and interest (SPPI). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement [see Note 3.1(b)]. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss (FVTPL).
The Bank's financial assets at amortized cost are presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Investment Securities at Amortized Cost, Loans and Other Receivables and Other Resources in respect of security deposits, and foreign currency notes and coins on hand which are included in the account.

For purposes of cash flows reporting and presentation, cash and cash equivalents include cash and other cash items, due from BSP and other banks, foreign currency notes and coins on hand and securities under reverse repurchase agreement (SPURRA) with maturities of three months or less from placement date.

Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Bank for trading or as mandatorily required to be classified as FVTPL. The Bank has not made irrevocable designation of equity instruments as of June 30, 2024 and December 31, 2023.

Financial Assets at Fair Value Through Profit or Loss (FVTPL)

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. The Bank's financial assets at FVTPL include debt securities which are held for trading purposes or designated as at FVTPL.

The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

(ii) Effective Interest Rate Method and Interest Income

Interest income on financial assets measured at amortized cost and all interest-bearing debt financial assets classified as at FVTPL, or at FVOCI, is recognized using the effective interest rate method. The effective interest rate is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of an effective interest rate. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument; hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset with an increase or reduction in interest income. The Bank calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

(iii) Impairment of Financial Assets

The Bank assesses its expected credit loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI and other contingent accounts. The Bank considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following financial instruments which are measured as 12-month ECL:

- all current loan accounts, except restructured loans;
- debt securities that are identified to have 'low credit risk' at the reporting date; and,
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

For these financial instruments, the allowance for credit losses is based on 12-month ECL associated with the probability of default of a financial instrument in the next 12 months (referred to as 'Stage 1' financial instruments). Should there be a significant increase in credit risk subsequent to the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as 'Stage 2' financial instruments).

'Stage 2' financial instruments also include the following characteristics:

- performing accounts but with occurrence of loss event;
- accounts with missed payments but not yet classified as defaulted;
- current restructured loans; and,
- current loans that are rated as Especially Mentioned based on the Internal Credit Risk Rating System (ICRRS) of the Bank.

A lifetime ECL shall be recognized for 'Stage 3' financial instruments, which include financial assets considered as credit-impaired, purchased or originated credit-impaired assets, and those classified as Past Due, and Items in Litigation based on the ECL methodology of the Bank.

The Bank's definition of credit risk and information on how credit risk is mitigated by the Bank are disclosed in Note 4.3.

Measurement of ECL

The Bank calculates ECL either on an individual or a collective basis. For modelling ECL parameters which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as but not limited to instrument type, credit risk rating, collateral type, product type, historical net charge-offs, industry type, and geographical locations of the borrowers or counterparties.

The Bank applies a simplified ECL approach for its loans and other receivables wherein the Bank uses a provision matrix that considers historical changes in the behavior of the portfolio of credit exposures based on internally collected data to predict conditions over the span of a given observation period. These receivables include claims from various counterparties, which do not originate through the Bank's lending activities. For these instruments, the Bank measures the loss allowance at an amount equal to lifetime ECL.

Where a financial instrument includes a drawn and undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately
from those on the drawn commitment; the Bank presents a combined ECL for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as provisions.

(iv) Derecognition of Financial Assets – Modification of Loans

When the Bank renegotiates or otherwise modifies the contractual cash flows of loans to customers, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank considers, among others:

- if the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- whether any substantial new terms are introduced that will affect the risk profile of the loan;
- significant extension of the loan term when the borrower is not in financial difficulty;
- significant change in the interest rate;
- change in the currency the loan is denominated in; and/or,
- insertion of collateral, other security or credit enhancements that will significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognizes the financial asset and recognizes a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognized in profit or loss as either gain or loss on derecognition of financial assets.

As to the impact on ECL measurement, the expected fair value of the "new" asset is treated as the final cash flow from the existing financial asset at the date of derecognition. Such amount is included in the calculation of cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss.

(b) *Financial Liabilities*

Financial liabilities include deposit liabilities, bills payable, corporate notes payable and accrued expenses and other liabilities (excluding tax-related payables and post-employment benefit obligation).

2.4 Derivative Financial Instruments

The Bank uses derivative financial instruments, particularly plain vanilla foreign exchange forwards, to manage its risks associated with fluctuations in foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive (recognized as part of Investment securities at FVTPL under the Trading and Investment Securities account) and as liabilities (recognized under the Accrued Expenses and Other Liabilities account) when the fair value is negative.

The Bank's derivative instruments provide economic hedges under the Bank's policies but are not designated as accounting hedges.

2.5 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less impairment losses, if any. Bank premises, furniture, fixtures and equipment are carried at acquisition cost less accumulated depreciation and amortization and any impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Furniture, fixtures and equipment	5 to 7 years
Transportation equipment	5 years

Leasehold improvements are amortized using the estimated useful lives of six months to 13 years or the remaining term of the lease whichever is shorter.

2.6 Investment Properties

Investment properties pertain to land, buildings or condominium units acquired by the Bank, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment. These properties are neither held by the Bank for sale in the next 12 months nor used in the rendering of services or for administrative purposes.

Investment properties are stated at cost, less accumulated depreciation, and any impairment losses (see Note 2.12).

Investment properties, except land, are depreciated over a period of five to 10 years. Depreciation and impairment loss are recognized in the same manner as in bank premises, furniture, fixtures and equipment (see Note 2.5).

2.7 Intangible Assets

Intangible assets include goodwill, branch licenses, club shares and computer software, which are included as part of Other Resources and are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of its acquisition.

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets and branch licenses acquired at the date of acquisition. Branch licenses represent the rights given by the BSP to the Bank to establish a certain number of branches in various areas in the country.

Goodwill, branch licenses and club shares are classified as intangible assets with indefinite useful life, and thus, not subject to amortization but to an annual test for impairment (see Note 2.12). For purposes of impairment testing, goodwill is allocated to cash-generating units and is subsequently carried at cost less any allowance for impairment losses while branch licenses are tested for impairment individually based on recoverable amount (see Notes 15.2 and 15.3). For club shares, impairment loss is recognized when the fair value of the shares as of the reporting period is lower than the carrying amount.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of five years. In addition, intangible assets are subject to impairment testing when indications exist, as described in Note 2.12. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

2.8 Other Acquired Assets

Other acquired assets pertain to chattel properties acquired through repossession or dacion in payment from defaulting borrowers. These are stated at cost less accumulated depreciation and any impairment in value. Depreciation of other acquired assets is computed on a straight-line basis over the estimated useful life of three years. The carrying value of other acquired assets is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.12).

2.9 Deposits on Future Stock Subscriptions

Deposits on future stock subscription represent the amount of money received from the principal shareholders as deposits on the subscriptions relative to the Bank's application for increase in Authorized Capital Stock (ACS). Based on the requirements of the Securities and Exchange Commission (SEC), the Bank recognizes deposits for future stock subscriptions as part of equity if all of the following criteria are met as at the end of the reporting period:

(a) lack or insufficiency of authorized unissued shares of stock to cover for the deposit;

(b) approval by the Bank's Board of Directors (BOD) and stockholders for the increase in ACS to cover the shares corresponding to the amount of the deposit; and,

(c) application for the approval of the increase in ACS has been filed with the SEC.

If any of the foregoing criteria is not met at the end of the reporting period, the deposit for future stock subscription is recognized as a liability.

2.10 Other Income and Expense Recognition

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15, *Revenue from Contracts with Customers*. In such a case, the Bank applies PFRS 9 first to separate and measure the part of the contract that is covered by PFRS 9, and then applies PFRS 15 to the residual part of the contract. Expenses and costs, if any, are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. All finance costs are reported in profit or loss on accrual basis.

The Bank assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or agent. The Bank concluded that it is acting as a principal in all its revenue arrangements.

For other income arising from these various banking services, which are to be accounted for under PFRS 15, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

a. *Service charges, fees, and commissions* – Service charges, fees and commissions are generally recognized when the service has been provided or after fulfilling the corresponding criteria. These include the commissions, deposit-related fees and other credit-related fees.

b. *Asset management services* – The Bank provides asset management services, which include trust and fiduciary activities. Related fees are recognized in profit or loss as follows:

(i) *Asset management and trust fees* – These are service fees calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on the scheduled collection date. Revenue from asset management services is recognized over time as the services are provided.

(ii) *Non-refundable upfront fees* – These are charged to customers when opening certain types of trust account with the Bank. These fees give rise to material rights for future services and are recognized as revenue over the period for which a customer is expected to continue receiving asset management services.

For other income outside the scope of PFRS 15, the following provides information about the nature and the related revenue recognition policies:

a. *Trading and securities gains (losses)* – These are recognized when the ownership of the securities is transferred to the buyer and is computed as the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains and losses as a result of the mark-to-market valuation of investment securities classified as FVTPL.

b. *Gain or loss from assets sold or exchanged* – Income or loss from assets sold or exchanged is recognized when the title to the properties is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is included in profit or loss as part of Miscellaneous Income or Miscellaneous Expenses in the statement of profit or loss.

c. *Recovery on charged-off assets* – Income arising from collections on accounts or recoveries from impairment of items previously written off are recognized in the year of recovery. This is included in the statement profit or loss as part of Miscellaneous Income.

2.11 Leases – Bank as a Lessee

Subsequent to the initial recognition, the Bank amortizes the right-of-use asset on a straight-line basis from the lease commencement date over the useful life of the right-of-use asset or the term of the lease, whichever is shorter. The Bank also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.12).

The Bank has elected to account for any short-term leases (less than 12 months) using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the lease payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The corresponding right-of-use assets and lease liabilities are presented as part of Bank

Premises, Furniture, Fixtures and Equipment, and Accrued Expenses and Other Liabilities, respectively, in the statements of financial position.

2.12 Impairment of Non-financial Assets

The Bank's premises, furniture, fixtures, and equipment (including right-of-use assets), investment properties, and other resources (including branch licenses goodwill, club shares, computer software and other acquired assets) and other non-financial assets are subject to impairment testing.

Intangible assets with an indefinite useful life, such as goodwill and branch licenses or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.13 Employee Benefits

The Bank provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, and other employee benefits.

The Bank's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, non-contributory, and administered by a trustee. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

A defined contribution plan is a post-employment plan under which the Bank pays fixed contributions into an independent entity (e.g., Social Security System and PhilHealth). The Bank has no legal or constructive obligation to pay further contributions after payment of the fixed contribution.

Short-term employee benefits include salaries, wages, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the reporting period during which an employee services are rendered but does not include termination benefits.

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Bank recognizes a liability and an expense for employee bonuses, based on a formula that is fixed regardless of the Bank's income after certain adjustments and does not take into consideration the profit attributable to the Bank's shareholders. The Bank recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Accrued Expenses and Other Liabilities account in the statements of financial position at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Bank's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates. Unless specifically indicated to apply to either year, the policies that follow apply to both years.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Bank's accounting policies, management has made the judgments presented in the succeeding page, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

(a) Application of ECL to Financial Assets at FVOCI and Amortized Cost

The Bank uses external benchmarking and historical loss rates to calculate ECL for all debt instruments carried at FVOCI and amortized cost as well as loan commitments, if any. The allowance for impairment is based on the ECLs associated with the Probability of Default (PD) of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized. This is where significant management judgment is required.

The Bank has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has significantly increased since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument (see Note 4.3).

(b) Evaluation of Business Model Applied and Testing the Cash Flow Characteristics of Financial Assets in Managing Financial Instruments

The Bank manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely its core deposit funding arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

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

In determining the classification of a financial instrument, the Bank evaluates in which business model a financial instrument, or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Bank's investment, trading, and lending strategies. Furthermore, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding.

The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion.

The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

If more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, the Bank assesses whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, it considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's investment objective for the business model.

(c) Distinction Between Investment Properties or Other Acquired Assets and Owner-occupied Properties

The Bank determines whether a property qualifies as investment property. In making this judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to properties but also to other assets used in the production or supply process.

The Bank classifies its acquired properties (foreclosed properties) as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as other acquired assets presented under Other Resources, if the Bank expects that the properties, which are other than land and building, will be recovered through sale rather than use, and as Investment Properties if the Bank intends to hold the properties, which could be land and/or building, to earn rental or for capital appreciation.

Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Bank considers each property separately in making its judgment.

(d) Determination of Branch Licenses Having Indefinite Useful Lives

The Bank's branch licenses were regarded as having an indefinite useful life considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Bank. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

(e) Determination of Lease Term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Bank did not include renewal options as part of the lease term of as the terms are renewable upon mutual agreement. The lease term is reassessed if an option is actually exercised or not exercised, or the Bank becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Bank.

(f) Recognition of Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. Similarly, possible outflows of economic benefits to the Bank that do not meet the recognition criteria of a liability are considered contingent liabilities, hence, are not recognized in the financial statements.

Judgment is exercised by management to distinguish the difference between provisions and contingencies.

In dealing with the Bank's various legal proceedings, its estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Bank's internal and outside counsels acting in defence for the Bank's legal cases and are based upon the analysis of probable results.

Although the Bank does not believe that its dealing on these proceedings will have material adverse effect on the Bank's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

4. Key Sources of Estimation Uncertainty

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

(a) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on debt financial assets at amortized cost and at FVOCI is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.3.

The carrying value of investments in debt securities at amortized cost and at FVOCI, and loans and other receivables together with the analysis of the allowance for impairment on such financial assets, are shown in Notes 11 and 12, respectively.

(b) *Fair Value Measurement for Financial Assets at FVTPL and at FVOCI*

The Bank carries certain financial assets at fair value which requires judgment and extensive use of accounting estimates. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another financial instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument or other more appropriated valuation techniques (see Note 7.2).

The amount of changes in fair value would differ if the Bank had utilized different valuation methods and assumptions. Any change in the fair value of the financial assets and financial liabilities would affect profit or loss or other comprehensive income.

The fair value of derivative financial instruments that are not quoted in an active market is determined through valuation techniques using the net present value computation (see Note 7.2).

The carrying values of the Bank's trading and investment securities and the amounts of fair value changes recognized on those financial assets are disclosed in Note 11.

(c) *Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Right-of-use Assets, Investment Properties, Computer Software, Club Shares, Other Acquired Assets, Goodwill, and Branch Licenses*

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties, computer software, club shares and other acquired assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The Bank's goodwill, branch licenses and club shares are regarded as having an indefinite useful life considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Bank. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

The carrying amounts of goodwill and branch licenses are analyzed in Note 13. Based on management's assessment as of June 30, 2024 and December 31, 2023, there are no changes in the useful lives of these assets.

Actual results, however, may vary due to changes in estimates brought about by changes in the factors mentioned above.

(d) Determination of Timing of Satisfaction of Performance Obligation

The Bank determines that its revenues from services for loan administration and account management shall be recognized over time while all other revenue streams are recognized at point in time. In making its judgment, the Bank considers the timing of receipt and consumption of benefits provided to the customers. As the work is performed, the Bank becomes entitled to payments. This demonstrates that the customers simultaneously receive and consume the benefits of rendering of these retail and corporate banking services as it performs.

In determining the best method of measuring the progress of the Bank's rendering of aforementioned services, the management considers the output method, which uses direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised as basis in recognizing revenues. Such measurements include results of performance completed to date and time elapsed.

(e) Determination of Realizable Amount of Deferred Tax Assets

The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying value of deferred tax was assessed by management to be fully recoverable, as of June 30, 2024 and December 31, 2023.

(f) Determination of Fair Value of Investment Properties

The Bank's investment properties are composed of parcels of land, buildings, condominium units and improvements, which are held for capital appreciation and are measured using the cost model. The estimated fair value of investment properties disclosed in Note 7.4 is determined based on the appraisals conducted by professional appraisers applying the relevant valuation methodologies as discussed therein.

At initial recognition, the Bank determines the fair value of the acquired properties based on valuations performed by both internal and external appraisers. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the property. For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties. A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

The Bank's methodology in determining the fair value of acquired properties is further discussed in Note 7.

(g) Impairment of Non-financial Assets

Except for intangible assets with indefinite useful lives (i.e. goodwill and branch licenses), which are annually tested for impairment, PFRS requires that an impairment review be performed when certain impairment indications are present. The Bank's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.12. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(h) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Bank measures its lease liabilities at the present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Bank's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment.

Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(i) Valuation of Post-employment Benefits

The determination of the Bank's obligation and cost of post-employment benefit plan is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

5. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's activities are exposed to credit, market and liquidity, and operational risks. Credit risk emanates from exposures to borrowing customers, counterparty risk in trading activities, and contingent credit risks arising from trade finance exposures. Market risk covers price, liquidity, and interest rate risks in the Bank's investment portfolio. Liquidity risk may arise from shortage in funding and/or lack of market for sale of its assets. Operational risk covers potential losses other than market and credit risk arising from failures of people, process, systems, information technology and external events.

The ability to manage risks effectively is vital for the Bank to sustain its growth and continue to create value for its shareholders.

4.1 Risk Management

The Bank continually advances its risk management techniques and integrates this into the overall strategic business objectives to support the growth objectives of the Bank.

The Bank has automated the front office, back office, and middle office operations as far as market risk is concerned. This includes the integration of pre-deal limit checking, on-demand position monitoring, automated limit reporting and breach approval, and automated value-at-risk (VaR) calculations. In addition to the automation, the Bank continues to review its limits system to ensure that it only enters into transactions allowed under its existing policies and that adequate capital is available to cover market risk exposures.

On the credit side, the Bank safeguards its financial health by diligently assessing and managing the risks associated with lending. It involves evaluation of borrower creditworthiness by conducting thorough analyses of financial statements, historical performance, and other pertinent information to gauge the likelihood of repayment with each loan application and renewal. It also monitors borrower performance throughout the lifecycle of each loan by promptly identifying any signs of financial distress by implementing the automated credit risk downgrading. Additionally, it oversees the broader risk profile of the bank's loan portfolio by collaborating with colleagues across various departments to develop and refine credit policies and procedures in alignment with regulatory requirements and industry standards. Regular stress testing is also conducted to assess the portfolio's resilience under different economic conditions.
The allowance for credit losses, a significant component of the bank's financial provisioning, is calculated using complex models and procedures that forecast the projected credit losses in the loan portfolio. This entails studying historical data, economic indicators, and other pertinent elements to anticipate potential impairments. Senior management and regulatory authorities receive regular reports and updates, which provide transparency into the bank's credit risk exposure and performance.

The Bank has completed the bank-wide operational risk and control self-assessment in support of the enterprise risk management framework and has continued to use other operational risk management tools such as loss events monitoring and key risk indicators.

There is also an enterprise-wide training on risk awareness to ensure appreciation of the risk management objectives of the Bank, and how these relate to the overall objective and strategies of the Bank, resulting to appropriate identification and measurement of the key risks of all business and support units. Policies on Business Continuity and Information Security were further strengthened, strictly implemented, and continuously disseminated across all units of
the Bank.

4.2 Enterprise Risk Management Framework

The Bank adopts an Enterprise Risk Management framework as its integrated approach to the identification, measurement, control, and disclosure of risks, subject to prudent limits and stringent controls as established in its risk management framework and governance structure. The Bank has an integrated process of planning, organizing, leading, and controlling its activities to minimize the effects of risk on its capital and earnings. The Bank's BOD formulates the corporate risk policy, sets risk tolerances and appetite, and provide risk oversight function through the Risk Oversight Committee (ROC), which in turn supervises the Chief Risk Officer and Head of the Enterprise Risk Management Group (ERMG) in the development and implementation of risk policies, processes, and guidelines. The framework covers operational, market and liquidity, credit and counterparty, and other downside risks within the context of the supervisory risk guidelines of the BSP and aligned best practices on risk management.

4.3 Credit Risk

Credit risk pertains to the risk to income or capital due to failure by borrowers or counterparties to pay their obligations, either in full or partially as they fall due, deterioration in the credit quality of a borrower, issuer or counterparty, and the reduced recovery from a credit facility in the event of default. This is inherent in the Bank's lending, investing, and trading and is managed in accordance with the Bank's credit risk framework of risk identification, measurement, control, and monitoring.

Credit risk is managed through a continuing review of credit policies, systems, and procedures. It starts with the definition of business goals and setting of risk policies by the BOD. Account officers and credit officers directly handle credit risk as guided by policies and limits approved by the BOD. ERMG, as guided by the ROC, performs an independent portfolio oversight of credit risks, and reports regularly to the BOD and the ROC.

On the transactional level, exposure to credit risk is managed through a credit review process wherein a regular analysis of the ability of the obligors and potential obligors to meet interest and capital repayment obligations is performed. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees. Moreover, in accordance with best practices, the Bank also adopts an internal credit risk rating system (ICRRS) for the purpose of measuring credit risk for every exposure in a consistent manner as accurately as possible and uses this information as a tool for business and financial decision-making.

4.4 Market Risk

The Bank's market risk exposure arises from adverse movements in interest rates and prices of assets that are either carried in the banking book or held as positions in the trading book (financial instruments), mismatches in the contractual maturity of its resources and liabilities, embedded optionality in the loans and deposits due to pre-terminations, and potential cash run offs arising from changes in the overall liquidity and funding conditions in the market.

Market risk related to the Bank's financial instruments includes foreign currency, interest rate and price risks.

(a) Foreign Currency Risk

The Bank manages its exposure to effects of fluctuations in the foreign currency exchange rates by maintaining foreign currency exposure within the existing regulatory guidelines and at a level that it believes to be relatively conservative for a financial institution engaged in that type of business.

The Bank's foreign currency exposure is primarily limited to the foreign currency deposits, which are sourced within the Philippines or generated from remittances by Filipino expatriates and overseas Filipino workers. Also, foreign currency trading with corporate accounts and other financial institutions is a source of foreign currency exposure for the Bank. At the end of each month, the Bank reports to the BSP on its acquisition and disposition of foreign currency resulting from its daily transactions.

4.5 Operational Risk

Operational risks are risks arising from the potential inadequate information systems and systems, operations, or transactional problems (relating to service or product delivery), breaches in internal controls, fraud, or unforeseen catastrophes that may result in unexpected loss.

Operational risks include the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

The ROC of the Bank assists management in meeting its responsibility to understand and manage operational risk exposures.

The ROC applies a number of techniques to efficiently manage operational risks. Among these are enumerated as follows:

- each major business line has an embedded operational risk management officer who acts as a point person for the implementation of various operational risk tools. The operational risk officers attend annual risk briefings conducted by the ROC to keep them up to date with different operational risk issues, challenges and initiatives.

- with ROC's bottom-up self-assessment process, which is conducted at least annually, areas with high-risk potential are highlighted and reported, and control measures are identified. The results of said self-assessment exercise also serve as one of the inputs in identifying specific key risk indicators (KRIs).

- KRIs are used to monitor the operational risk profile of the Bank and of each business unit and alert the management of impending problems in a timely fashion.

- internal loss information is collected, reported, and utilized to model operational risk.

- the ROC reviews product and operating manuals, policies, procedures, and circulars, thus allowing the embedding of desired operational risk management practices in all business units.

(a) Reputational Risk

Reputation risk is the risk to earnings or capital arising from negative public opinion. This affects the Bank's ability to establish new relationships or services, or to continue servicing existing relationships. This risk can expose the Bank to litigation, financial loss, or damage to its reputation. Reputation risk arises whenever technology-based banking products, services, delivery channels or processes may generate adverse public opinion such that it seriously affects the Bank's earnings or impairs its capital. This risk is present in activities such as asset management and regulatory compliance.

The Bank adopted a reputation risk monitoring and reporting framework to manage public perception.

(b) Legal Risk and Regulatory Risk Management

Changes in laws and regulations and fiscal policies could adversely affect the Bank's operations and financial reporting. In addition, the Bank faces legal risks in enforcing its rights under its loan agreements, such as foreclosing of collateral. Legal risk is higher in new areas of business where the law remains untested by the courts. The Bank uses a legal review process as the primary control mechanism for legal risk. Such a legal review aims to verify and validate the existence, genuineness, and due execution of legal documents, and verify the capacity and authority of counterparties and customers to
enter into transactions.

In addition, the Bank seeks to minimize its legal risk by using stringent legal documentation, imposing certain requirements designed to ensure that transactions are properly authorized, and consulting internal and external legal advisors.

Regulatory risk refers to the potential for the Bank to suffer financial loss due to changes in the laws or monetary, tax or other governmental regulations of the country. The Bank's Compliance Program, the design and implementation of which is overseen and coordinated by the Compliance Officer, is the primary control process for regulatory risk issues. The Compliance Office is committed to safeguarding the integrity of the Bank by maintaining a high level of regulatory compliance.

The Compliance Office is responsible for communicating and disseminating new rules and regulations to all units, assessing and addressing identified compliance issues, performing periodic compliance testing on branches and head office units, and reporting compliance findings to the Corporate Governance and the BOD.

4.6 Anti-Money Laundering Controls

The Anti-Money Laundering Act (AMLA) or RA No. 9160 was passed in September 2001 and was amended by RA No. 9194, RA No. 10167, RA No. 10365, RA No. 10927 and RA No. 11521, in March 2003, June 2012, February 2013, June 2016 and July 2020 (which effected in February 2021), respectively. Under the AMLA, as amended, the Bank is required to submit "Covered Transaction Reports" to the Anti-Money Laundering Council (AMLC) involving single transactions in cash or other equivalent monetary instruments in excess of P0.5 million within one banking day, exceeding P1.0 million for transactions (in cash or other equivalent monetary instrument) with or involving jewelry dealers, dealers in precious metals/precious stones; exceeding P5.0 million for casino cash transactions; and exceeding P7.5 million for cash transaction with or involving real estate developers or brokers.

The Bank is also required to submit "Suspicious Transaction Reports" to the AMLC in the event that circumstances exist and there are reasonable grounds to believe that the transaction is suspicious. Furthermore, terrorist financing was criminalized in RA No. 10168. In addition, the AMLA requires that the Bank safe keeps, as long as the account exists, all the Know Your Customer (KYC) documents involving its clients, including documents that establish and record the true and full identity of its clients. Likewise, transactional documents must be maintained and stored for five years from the date of the transaction.

In cases involving closed accounts, the KYC documents must be kept for five years after their closure. Meanwhile, all records of accounts with court cases must be safe kept until there is a final resolution.

On January 27, 2011, BSP Circular No. 706 was implemented superseding all policies on AMLA. The Circular requires the Bank to adopt a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MTPP) designed according to the covered institution's corporate structure and risk profile.

In an effort to further prevent money laundering activities, the Bank revised its KYC policies and guidelines in order to comply with the aforementioned Circular. Under the guidelines, each business unit is required to validate the true identity of a customer based on official or other reliable identifying documents or records before an account may be opened. Likewise, the Bank is required to conduct watch list screening and risk profile its clients to Low, Normal or High with its corresponding due diligence of Reduced, Average or Enhanced, in compliance with the risk-based approach mandated by the Circular. Decisions to enter into a business relationship with a high-risk customer require senior management approval.

The Bank's procedures for compliance with the AMLA are set out in its MTPP. The Bank's Chief Compliance Officer, through the Anti-Money Laundering Unit (AMLU) and Compliance Testing Unit (CTU), monitors AMLA compliance and conducts regular compliance testing of business units.

All banking units are required to submit to the Compliance Office certificates of compliance with the applicable banking laws, rules, regulations and standards including the Anti-Money Laundering Rules and Regulations on a quarterly basis.

The Chief Compliance Officer regularly reports to the Board through the Corporate Governance Committee the results of their monitoring of AMLA compliance.

6. CAPITAL MANAGEMENT AND REGULATORY CAPITAL

6.1 Capital Management and Regulatory Capital

The Bank's lead regulator, the BSP, sets and monitors capital requirements for the Bank. In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed ratio of qualifying capital to risk-weighted assets. PBB, being a stand-alone thrift bank, is required under BSP regulations to comply with Basel 1.5. Under this regulation, the qualifying capital account of the Bank should not be less than an amount equal to 10% of its risk weighted assets.

The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio consists of Tier 1 capital plus Tier 2 capital elements net of the required deductions from capital such as:

(a) unbooked valuation reserves and other capital adjustments as may be required by the BSP;
(b) total outstanding unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI);
(c) deferred tax asset net of deferred tax liability;
(d) goodwill;
(e) sinking fund for redemption of redeemable preferred shares; and,
(f) other regulatory deductions.

Risk weighted assets is the sum of the Bank's credit risk weighted assets, operational risk weighted assets, and market risk weighted assets. The latter was due to the Bank's authority to engage in derivatives as end-user under a Type 3 Limited End-User Authority. Risk weighted assets are computed using the standardized approach for credit and market risks while basic indicator approach with modification was used for operational risk.

The following are the risk-based capital adequacy of the Bank as of June 30, 2024, December 31, 2023 and 2022 (amounts in millions):

	2024	2023	2022
Net Tier 1 Capital	**P 15,985**	P **15,557**	P **14,710**
Tier 2 Capital	**1,220**	**1,144**	**893**
Total Qualifying Capital	**P 17,205**	P **16,701**	P **15,603**
Net Tier 1 Capital	**P 15,985**	P **15,557**	P **14,710**
Preferred Shares	**620**	**620**	**620**

Common Equity Tier 1 Capital	**P 15,365**	P 14,937	P 14,090
Risk Weighted Assets			
Credit Risk Weighted Assets	**P 121,746**	P **113,928**	P **101,812**
Operational Risk Weighted Asset	**9,634**	**9,162**	**8,793**
Market Risk Weighted Assets	**4,509**	**3,942**	**2,015**
Total Risk-Weighted Assets	**P 135,889**	P **127,032**	P **112,620**
Capital ratios:			
Total qualifying capital expressed as percentage of total risk-weighted assets	**12.7%**	**13.1%**	**13.9%**
Common Equity Tier 1 capital expressed as percentage of total risk-weighted assets	**11.3%**	**11.8%**	**12.5%**
Capital Conservation Buffer expressed as Common Equity Tier 1 capital minus 6	**5.3%**	**5.8%**	**6.5%**
Net Tier 1 capital expressed as percentage of total risk-weighted assets	**11.8%**	**12.2%**	**13.1%**

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

The Bank's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

A bank's regulatory capital is analyzed into two tiers, which are Tier 1 Capital plus Tier 2 Capital less deductions from the total of Tier 1 and Tier 2 capital equivalent to 50% of the following:

(a) Investments in equity of unconsolidated subsidiary banks and other financial allied undertakings, but excluding insurance companies;

(b) Investments in debt capital instruments of unconsolidated subsidiary banks;

(c) Investments in equity of subsidiary insurance companies and non-financial allied undertakings;

(d) Reciprocal investments in equity of other banks/enterprises; and,

(e) Reciprocal investments in unsecured subordinated term debt instruments of other banks/quasi-banks qualifying as Hybrid Tier 1, Upper Tier 2 and Lower Tier 2, in excess of the lower of (i) an aggregate ceiling of 5% of total Tier 1 capital of the bank excluding Hybrid Tier 1; or (ii) 10% of the total outstanding unsecured subordinated term debt issuance of the other bank/quasi-banks.

Provided, that any asset deducted from the qualifying capital in computing the numerator of the risk-based capital ratio shall not be included in the risk-weighted assets in computing the denominator of the ratio.

As of June 30, 2024 and December 31, 2023, the Bank has no exposure in item (a) to item (e) above. There were no material changes in the Bank's management of capital during the current year.

As of June 30, 2024 and December 31, 2023, the Bank has satisfactorily complied with the capital-to-risk assets ratio.

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regular net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects (mainly in the recognition of deferred tax assets). Thrift banks with head offices in the National Capital Region and having more than 50 branches are required to comply with the minimum capital requirement of P2.0 billion. The Bank has complied with the minimum capital requirement at the end of each reporting period.

6.2 Minimum Liquidity Ratio

On February 8, 2018, the BSP issued Circular No. 996, *Amendments to the Liquidity Coverage Ratio Framework for Stand-Alone Thrift Banks, Rural Banks, Cooperative Banks, and Quasi-Banks*, which provide guidance on and prescribes the prudential requirement for covered institutions to maintain eligible stock of liquid assets proportionate to the level of total qualifying liabilities (i.e., both on and off-balance sheet liabilities). Eligible liquid assets shall include cash and other liquid assets that are immediately liquefiable and free from encumbrances.

The minimum liquidity ratio (MLR) of 20% shall be complied with on an ongoing basis absent a period of financial stress effective January 1, 2019. However, the Bank was only able to comply with the MLR requirement starting June 2019.

On April 7, 2020, the BSP issued Memorandum No. M-2020-020, *Reduction in the Minimum Liquidity Ratio in Response to Covid-19*, which reduced the MLR for stand-alone thrift banks, rural banks and cooperative banks from 20% to 16% until December 31, 2020. On December 1, 2020, the BSP issued an extension on the effectivity of the temporary reduction of MLR thru Memorandum No. M-2020-085 until December 31, 2021.

Furthermore, Memorandum No. M-2022-004, *Extension of BSP Prudential Relief Measures*, further extended the reduction of MLR to 16% for stand-alone thrift banks, rural banks and cooperative banks until December 31, 2022.

The Bank's MLR as of June 30, 2024 and December 31, 2023 are analyzed below (amounts in millions except MLR figure).

	2024	2023
Eligible stock liquid assets	**P 27,148**	P **33,716**
Total qualifying liabilities	**130,526**	130,534
MLR	**20.80%**	25.83%

7. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIALLIABILITIES

7.1 Carrying Amounts and Fair Values by Category

The following table summarizes the carrying values and fair values of those financial assets and financial liabilities in the statements of financial position:

	Notes	**Carrying Values**	**Fair Values**
June 30, 2024:			
Financial Assets			
Loans and receivables:			
Cash and other cash items	**9**	**P 928,955,848**	**P 928,955,848**
Due from BSP	**9**	**4,125,465,715**	**4,125,465,715**
Due from other banks	**10**	**2,623,951,365**	**2,623,951,365**
Investment securities - net	**11**	**1,550,284,251**	**1,550,284,251**
Loans and other receivables	**12**	**118,683,035,743**	**118,683,035,743**
Other resources	**13**	**145,822,346**	**145,822,346**
At fair value:			
FVPL securities	**11**	**7,673,572,792**	**7,673,572,792**
FVOCI securities	**11**	**13,347,724,420**	**13,347,724,420**
		P149,078,812,480	**P149,078,812,480**
Financial Liabilities			
At amortized cost:			
Deposit liabilities	**14**	**P126,380,475,126**	**P126,380,475,126**
Bills payable	**15**	**4,637,500,000**	**4,637,500,000**
Corporate notes payable	**16**	**-**	**-**
Accrued expenses and other liabilities	**17**	**4,580,192,169**	**4,580,192,169**
		P135,598,167,295	**P135,598,167,295**

December 31, 2023:

	Notes	Carrying Values	Fair Values
Financial Assets			
At amortized cost:			
Cash and other cash items	9	P 1,316,780,680	P 1,316,780,680
Due from BSP	9	4,498,604,149	4,498,604,149
Due from other banks	10	4,170,280,397	4,170,280,397
Investment securities - net	11	1,501,256,354	1,515,962,260
Loans and other receivables - net	12	117,563,935,794	107,784,973,020
Other resources	15	115,306,118	115,306,118
At fair value:			
FVPL securities	11	6,782,337,118	6,782,337,118
FVOCI securities	11	13,765,424,913	13,759,350,770
		P 149,713,925,523	P 139,943,594,512

	Notes	Carrying Values	Fair Values
Financial Liabilities			
At amortized cost:			
Deposit liabilities	16	P126,718,716,017	P126,285,789,022
Bills Payable	18	4,750,000,000	4,732,009,335
Accrued expenses and other liabilities	19	4,275,572,005	4,275,572,005
		P135,744,288,022	P135,293,370,362

The Bank considers that the carrying amounts of foregoing other financial assets and financial liabilities which are measured at amortized cost, approximate the fair values either because those instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material. The fair value information disclosed for the Bank's debt securities are determined based on the procedures and methodologies discussed in Note 7.2.

8. ***Offsetting of Financial Assets and Financial Liabilities***

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements, each agreement between the Bank and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

9. FAIR VALUE MEASUREMENT AND DISCLOSURES

9.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Bank uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

9.2 Financial Instruments Measured at Fair Value

The fair value of the debt securities of the Bank determined as follows:

(a) For peso-denominated government debt securities issued by the Philippine government, fair value is determined to be the reference price per PDEx

which is computed based on the weighted average of done or executed deals (Level1), or the simple average of all firm bids per benchmark tenor or interpolated yields (Level 2). This is consistent with BSP Circular No. 813, issued by the BSP pursuant to Monetary Board Resolution No. 1504 dated September 13, 2013.

(b) For other quoted debt securities under Level 1, fair value is determined to be the current mid-price, which is computed as the average of ask and bid prices as appearing on Bloomberg.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

9.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The fair values of financial assets and financial liabilities not presented at fair value in the statements of financial position are determined as follows:

(a) Cash and Other Cash Items

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers, including automated teller machines(see Note 9). Other cash items include cash items other than currency and coins on hand (see Note 13) such as checks drawn on the other banks or other branches that were received after the Bank's clearing cut-off time until the close of the regular banking hours. Carrying amounts approximate fair values in view of the relatively short-term maturities of these instruments.

(b) Due from BSP and Other Banks and SPURRA

Due from BSP pertains to deposits made by the Bank to BSP for clearing and reserve requirements while SPURRA pertain to loans and receivables from BSP arising from overnight lending from excess liquidity. Due from other banks includes interbank deposits and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximates the nominal value.

(c) Loans and Other Receivables

Loans and other receivables are net of impairment losses. The estimated fair value of loans and other receivables represents the discounted amount of estimated future cash flows expected to be received. Long term interest-bearing loans are periodically repriced at interest rates equivalent to the current market rates, to determine fair value.

(d) Other Financial Assets

Other financial assets pertain to foreign currency notes and coins, security deposits and petty cash fund which are included in the Other Resources account. Due to their short duration, the carrying amounts of these items in the statements of financial position are considered to be reasonable approximation of their fair values.

(e) Deposits Liabilities and Borrowings

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amount of short term bills payable approximate their fair values. For corporate notes payable categorized within Level 3, fair value is determined based on their discounted amount of estimated future cash flows expected to be received or paid, or based on their cost which management estimates to approximate their fair values.

(f) Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities classified as financial liabilities are recognized initially at their fair value and subsequently measured at amounts to which they are to be paid. Due to their short-duration, management ascertained that the fair values of these short-term liabilities approximate their carrying values.

10 Fair Value Measurement of Investment Properties Carried at Cost

The fair value of the investment properties of the Bank was determined on the basis of a valuation carried out on the acquisition dates by either an independent or internal appraiser having appropriate qualifications and recent experience in the valuation of properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the management of the Bank with respect to determination of the inputs such as size, age, and condition of the land and buildings and the comparable prices in the corresponding property location. In estimating the fair value of the properties, management takes into account the market participant's ability to generate economic benefits by using the assets in highest and best use. Based on management's assessment, the best use of the investment properties indicated above is their current use which is generate positive future cash flows through sale.

The fair value of these investment properties were determined based on the following approaches:

(a) Fair Value Measurement for Land

The Level 3 fair value of land was derived using observable recent prices of the reference properties adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value. On the other hand, if fair value of the land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations, fair value is included in Level 2.Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property, minor adjustments on the price is made to consider peculiarities of the property with that of the benchmark property.

(b) Fair Value Measure for Building and Improvements

The Level 3 fair value of the buildings and improvements under Investment Properties account was determined using the replacement cost approach that reflects the cost to a market participant to construct an asset of comparable usage, constructions standards, design and lay-out, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2024 and 2023.

11 SEGMENT REPORTING

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

Management currently identifies the Bank's three service lines as primary operating segments.

(a) *Consumer Banking* – includes auto financing, home financing, and salary or personal loans;

(b) *Corporate Banking* – includes term loans, working capital credit lines, bills purchase and discounting lines; and,

(c) *Treasury Operations* – manages liquidity of the Bank and is a key component in revenue and income generation through its trading and investment activities.

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

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

12 CASH AND DUE FROM BSP

This account is composed of the following:

	Notes	2024	2023
Cash and other cash items		**P 928,955,848**	P 1,316,780,680
Due from BSP:			
Mandatory reserves		**1,525,465,715**	797,518,235
Other than mandatory reserves		**2,600,000,000**	3,701,085,914
		4,125,465,715	4,498,604,149
Due from other banks	10	**2,623,951,365**	4,170,280,397
SPURRA	12	**200,000,000**	4,992,596,914
Foreign currency notes and coins on hand	15	**98,850,689**	68,818,715
		P 7,977,223,617	P15,047,080,855

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers, including automated teller machines. Other cash items include cash items [other than currency and coins on hand such as checks drawn on the other banks or other branches that were received after the Bank's clearing cut-off time until the close of the regular banking hours.

Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements and to serve as clearing account for interbank claims(see Note 14).

Due from BSP other than mandatory reserves bears annual effective interest rates as follows:

2024	2023	2022
3.75% - 4.25%	3.75% - 4.25%	3.75% - 4.25%

The total interest income earned for six month period ending June 30, 2024, 2023 and 2022 amounted to P76.3 million, P120.4 million and P121.3 million respectively, and are included as part of Interest Income on Due from BSP and Other Banks in the statements of profit or loss.

13 DUE FROM OTHER BANKS

The balance of this account represents deposits with the following:

	2024	2023
Local banks	**P 2,454,201,804**	P 3,144,810,572
Foreign banks	**169,749,561**	1,025,469,825
	P 2,623,951,365	P 4,170,280,397

Interest rates on these deposits range from 1.70% to 5.4 per annum in 2024, from %1.70% to 5.54% per annum in 2023 and .05% to 4.50 per annum in 2022. The total interest income earned for six months period ending June 30, 2024, 2023 and 2022 amounted to P20.3 million, P53.79 million and P2.6 million respectively, and are included as part of Interest Income on Due from BSP and Other Banks in the statements of profit or loss.

14 TRADING AND INVESTMENT SECURITIES

The components of this account are presented below.

	2024	2023
Financial assets at FVPL	**P 7,673,572,792**	P 6,782,337,118
Financial assets at FVOCI	**13,347,724,420**	13,765,424,913
Investment Securities at amortized Cost-net	**1,550,284,251**	1,501,256,354
	P 22,571,581,463	P22,049,018,385

11.1 Investment Securities at FPVL

This account is composed of the following:

	2024	2023
Corporate bonds	**P 1,774,861,489**	P 1,693,383,272
Government debt securities	**5,898,461,303**	5,088,833,858
Derivatives financial assets	**250,000**	119,988
	P 7,673,572,792	P 6,782,337,118

Effective interest rates of investment securities at FPVL range from:

	2024	2023	2022
Government debt securities	**3.0% – 8.0%**	3.0% – 8.0%	2.8% – 4.7%
Corporate bonds	**2.8% –5.5%**	2.8% – 5.5%	3.7% –7.3%

11.2 Investment Securities at FVOCI

This account is composed of the following:

	2024	2023
Government debt securities	**P 12,495,413,671**	P12,823,010,421
Corporate bonds – quoted	**852,310,748**	942,414,492
	-	-
	P 13,347,724,419	P13,765,424,913

Effective interest rates of investment securities at FVOCI range from:

	2024	2023	2022
Government debt securities	**2.9% – 9.5%**	2.4% – 8.6%	2.4% – 6.9%
Corporate bonds	**3.3% –4.7%**	3.3% –4.9%	3.3% –4.9%

11.3 Investment Securities at Amortized Cost

This account is composed of the following:

	2024	2023
Government debt securities	**P 956,811,509**	P 941,737,532
Corporate bonds – quoted	**609,250,440**	575,296,520
	-	
	1,566,061,949	1,517,034,052
Allowance for impairment	**(15,777,698)**	(15,777,698)
	P 1,550,284,251	P 1,501,256,354

Effective interest rates of investment securities at amortized cost range from:

	2024	2023	2022
Government debt securities	**3.6%-8.1%**	3.6%-8.1%	3.3%-8.1%
Corporate bonds	**3.7%-7.3%**	3.7%-7.3%	4.0%

15 LOANS AND OTHER RECEIVABLES

This account consists of the following:

	2024	2023
Receivables from customers:		
Loans and discounts	**P123,219,865,151**	117,175,423,029
Unearned discount	**(196,641,318)**	(200,594,244)
	123,023,223,833	116,974,828,785
Customers' liabilities on		

acceptances, letters of credit and trust receipts	**338,554,412**	333,083,736
	123,361,778,245	117,307,912,521
Other receivables:		
Accrued interest receivable	**994,469,763**	956,131,849
Accounts receivable	**145,418,441**	155,027,103
Deficiency claims receivable	**58,623,569**	58,643,482
Sales contracts receivable	**15,706,440**	19,129,027
Interbank call loans receivable	**-**	
SPURRA	**200,000,000**	4,992,596,914
	-	-
	1,414,218,213	6,181,528,375
	124,775,996,458	123,489,440,896
Allowance for impairment	**(6,092,960,715)**	(5,925,505,102)
	P118,683,035,743	P117,563,935,794

SPURRA are secured by certain treasury bills of the BSP SPURRA represent loans and receivables from BSP as of June 30, 2024 and December 31, 2022 arise from overnight lending from excess liquidity.

	2024	2023	2022
Loans and discounts	**0.7% – 189.7%**	0.7% – 189.7%	0.7% – 189.7%
Other receivables	**2.0% – 12.0%**	2.0% – 12.0%	2.0% – 12.0%

The total interest income earned for six month period ended June 30, 2024, 2023 and 2022 amounted to:

	2024	2023	2022
Loans and discounts	**P 4,442,632,638**	**P 3,822,328,771**	P2,328,433,117
Other receivables	**69,434,678**	**78,591,120**	15,626,908
	P 4,512,067,316	**P 3,900,919,891**	P2,344,060,025

Certain qualified micro, small and medium enterprises (MSME) loans with outstanding balance of P1,016.3 million and P1,624.1 million (gross of allowance for impairment) as of June 30, 2024 and December 31, 2023, respectively, were used as alternative compliance with the BSP reserve requirement (see Note 14).

16 OTHER RESOURCES

This account consists of the following as of June 30, 2024 and December 31, 2023:

	Notes	2024	2023
Branch licenses		**P 250,800,000**	P 250,800,000
Goodwill		**121,890,408**	121,890,408
Computer software – net		**58,731,786**	67,896,633
Prepaid expenses		**237,714,585**	137,450,698
Foreign currency notes and coins on hand		**98,850,689**	68,818,715
Deferred Charges		**41,304,401**	41,207,332
Security deposits		**56,760,048**	46,487,403
Club Shares		**38,000,000**	38,000,000
Stationery and supplies		**36,365,265**	33,584,328
Other acquired assets-net		**31,912,497**	43,149,858
Miscellaneous		**421,893,905**	65,289,718
		1,394,223,584	914,575,093
Allowance for impairment		**(1,654,737)**	(1,654,737)
		P 1,392,568,847	P 912,920,356

16.1 Branch Licenses

In 2019 and 2016, the Bank have opened branches in Metro Manila, Southern Luzon, Vis-Min, CAMANAVA, and Central Luzon. The total cost of branch licenses amounted to P0.3 million in 2019 and P1.8 million in 2016.

On February 27, 2014, the Bank received the approval from the BSP of its application for new licenses. This is in line with the Bank's branch expansion program for which it has allocated a portion of its IPO proceeds to cover the cost of new licenses in the following areas plus processing fees, which amounted to P2.2 million: CAMANAVA, Vis-Min Area, Central Luzon and Southern Luzon. In November 2011, the Monetary Board of BSP approved the request of the Bank to establish 15 branches in selected restricted cities in Metro Manila for a total consideration of P226.5 million which was paid by the Bank to the BSP in January 2012.

In December 2011, the Bank acquired four licenses from Prime Savings Bank, Inc. for a total consideration of P20.0 million.

As indicated in Notes 2.7, 2.12 and 3.2(g), branch licenses are tested for impairment annually. The recoverable amount of the CGU has been based on Value-in-Use (VIU) calculation using the excess projected net income from forecasts approved by the Bank's management covering a five-year period and a terminal growth rate. The key assumptions used in the estimation of the VIU in 2023 and 2022 include using a discount rate of 11.6% and 13.9%, respectively, and terminal value growth rate of 6.2% and 6.0%, respectively.

Key assumptions in VIU calculation of CGUs are most sensitive to discount rates and growth rates used to project excess net income. Future net income and growth rates were based on experience, strategies developed, and prospects. The discount rate used for the computation of the discounted excess earnings is the weighted average cost of capital and was determined by reference to the BVAL rate of treasury bond, adjusted for a risk premium. The terminal growth rate was determined based on the average annual GDP growth rate.

The recoverable amount has been based on fair value reflecting market conditions less costs to sell. The Bank used the prevailing price of the special licensing fees as required by the BSP before acceptance of branch application. As of June 30, 2024 and December 31, 2023, the Bank has assessed that the recoverable amount of these branch licenses is the same as the carrying value; hence, no impairment loss is required to be recognized in the statements of profit or loss.

16.2 Goodwill

Goodwill arose from the following acquisitions:

Rural Bank of Kawit (RBK)	P	59,513,648
Kabalikat Rural Bank, Inc. (KRBI)		49,878,393
Bataan Savings and Loan Bank, Inc. (BLSB)		12,498,367
	P	**121,890,408**

In September 2014, as part of the Bank's expansion strategy, the BOD approved the acquisition of all the assets and assumption of all the obligation of RBK in exchange for P15.0 million. Upon approval by the BSP on February 1, 2016, the Bank recognized the assets and liabilities of RBK at their fair values, resulting in the recognition of P59.5 million goodwill.

KRBI, which is located in Sta. Maria Bulacan, Philippines, was acquired in 2010, which also resulted in the recognition of goodwill amounting to P49.9 million.

In July 2015, the Bank entered into a Sale and Purchase Agreement with BLSB, whereby the Bank acquired all the assets of BLSB and assumed the payment of all its obligations. The agreed purchase price was P68.8 million, which has been fully paid by the Bank in 2015. On July 12, 2017, the BSP approved the acquisition; hence, the Bank recognized the assets and liabilities of BLSB at their approximate fair values resulting in the recognition of P12.5 million goodwill.

The Bank acquired the foregoing smaller banks with the objective of availing the branch incentives under the Strengthening Program for Rural Bank Plus; and its expected future economic benefits and synergies that will result from incorporating the operations of these acquired rural banks with that of the Bank which expands its presence in the small and medium enterprise market. Accordingly, the Bank acquired them at a premium resulting in the recognition of goodwill.

As indicated in Notes 2.12 and 3.2(g), goodwill is tested for impairment annually. The Bank engaged a third-party specialist to perform an independent impairment testing of goodwill. The recoverable amount of the CGU has been based on VIU calculation using the cash flow projections from financial budgets approved by the Bank's senior management covering a five-year period. Key assumptions in VIU calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows. Future cash flows and growth rates were based on experience, strategies developed, and prospects. The discount rate used for the computation of the net present value is the cost of equity and was determined by reference to comparable entities within the industry.

In 2023 and 2022, the discount rates applied to cash flow projections are 11.6% and 13.9%, respectively, while the growth rates used to extrapolate cash flows for the five-year period are 6.2% and 6.0% for 2023 and 2022, respectively. The growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

As of June 30, 2024 and December 31, 2023, the Bank has assessed that the carrying amount of the goodwill is fully recoverable. Accordingly, no impairment loss is required to be recognized in the statements of profit or loss in both years.

17 DEPOSIT LIABILITIES

The classification of the Bank's deposit liabilities as to currency follows:

	2024	2023
Philippine peso	**P 119,292,981,614**	P119,063,034,550
Foreign currencies	**7,087,493,512**	7,655,681,467
	P 126,380,475,126	P126,718,716,017

Annual interest rates on deposit liabilities range from:

	2024	2023	2022
Philippine peso	**1.8% – 7.3%**	0.1% – 6.3%	0.1% – 1.4%
Foreign currencies	**1.4% – 5.0%**	0.1% – 4.0%	0.1% – 0.6%

Total interest expense for six month period ending June 30, 2024, 2023 and 2022 amounted to:

	2024	2023	2022
Time	**P 1,667,601,654**	P 1,196,055,407	P 302,243,328
Savings	**29,966,174**	28,293,105	13,371,842
Demand	**-**	-	-
	P 1,697,567,828	P 1,224,348,512	P 315,615,170

Under existing BSP regulations, the Bank is subject to reserve requirement equivalent to 2.0% of non-FCDU deposit liabilities. On April 6, 2012, the BSP issued an amendment to the existing provisions as to the eligibility of cash and deposit accounts with BSP as forms of reserve requirements. As indicated in the amendment, cash and other cash items are no longer considered as eligible reserves.

Pursuant to BSP Circular 1087, *Alternative Compliance with the Reserve Requirements of Banks and Non-bank Financial Institutions with Quasi-banking Functions,* the Bank used qualified MSME loans as allowable alternative compliance with the reserve requirement in 2024 and 2023.

The Bank's available reserves as of June 30, 2024 and December 31, 2023 amounts to P2,523,7 million and P2,739.8 million, respectively, and is compliant with these BSP regulations (see Notes 9).

18 BILLS PAYABLE

On July 11, 2022, the Bank obtained unsecured, short-term bills payable with a total of P1,000.0 million from LBP, which composed of two unsecured short-term bills both with principal amounts of P500.0 million bearing an interest of 3.50% and 4.25% per annum, payable quarterly, which matured and was settled on October 7, 2022 and July 6, 2023, respectively. On October 7, 2022, the Bank obtained another P500.0 million, from the same local bank bearing an interest of 4.90% per annum, which matured and settled on September 29, 2023.

On October 20, 2022, the Bank obtained a rediscounting bills payable from LBP amounting to P500.0 million bearing an interest rate of 4.75% per annum with maturity date of September 9, 2024. The outstanding balance to this instrument amounted to P250.0 million and P500.0 million as of December 31, 2023 and 2022, respectively. These bills payable is secured with certain loans and receivables of the Bank amounting to P950.0 million in both 2023 and 2022, respectively (see Notes 6.2 and 12). There is no similar transaction in 2021.

On June 2, 2023, the Bank obtained additional unsecured, short-term bills payable with principal amount of P1,000.0 million from LBP bearing an interest of 6.43% per annum with maturity date of May 27, 2024. On September 29, 2023, the Bank obtained additional bills payable from LBP amounting to P500.0 million bearing an interest, which are payable semi-annually, of 6.25% per annum with maturity date of March 27, 2024.

On December 5, 2023, the Bank obtained short-term bills payable from DBP amounting to P3,000.0 million bearing an interest rate of 5.75% per annum with maturity date of March 4, 2024. This bills payable is secured by assigning all rights, interests and titles of certain government securities of the Bank amounting to P3,650.0 million in 2023 (see Notes 6.2 and 11). There was no similar transaction in 2022 and 2021.

The total interest expense for six month period ending June 30, 2024 and 2023 amounted to P139.0 million, P40.2 million, respectively, and is recognized as part of Interest Expense in the 2024 and 2023 statements of profit or loss.

As of June 30, 2024 and December 31, 2023, the total outstanding bills payable amounting to P4,637.5 million and P4,750.0 million, respectively.

19 CORPORATE NOTES PAYABLE

On March 20, 2019, the BOD approved the authorization of the Bank to arrange a debt program of up to P10,000.0 million to finance the Bank's growing funding requirements. In July 2019, the Bank issued unsecured corporate notes with principal amount of P3,000.0 million bearing an interest ranging from 5.2% to 5.5% per annum, payable quarterly with maturity date of July 31, 2022.

On January 17, 2022, the Bank fully paid the outstanding amount of its corporate notes payable. The related amortization of the bond issue cost is recorded as part of Interest Expense on Corporate Notes Payable in the statements of profit or loss. The total interest expense in 2022 and 2021 amounted to P6.4 million and P171.2 million, respectively. There was no interest expense incurred in 2023.

The financial covenant, as stipulated in the terms of the corporate notes, requires the Bank to maintain a minimum risk-based capital adequacy ratio. As of December 31, 2022, the Bank is compliant with the covenant.

As of June 30, 2024 and December 31, 2023, the Bank has no existing Corporate Notes Payable, hence, there are no other existing covenants.

20 ACCRUED EXPENSES AND OTHER LIABILITIES

The breakdown of this account follows:

	Notes	2024	2023
Manager's checks		**P 796,898,161**	P1,511,354,687
Accrued expenses		**1,050,054,592**	993,442,742
Accounts payable		**1,243,300,227**	987,761,999
Lease liabilities		**456,512,888**	456,512,888
Outstanding acceptances		**315,656,189**	326,499,689
Income tax payable		**163,322,015**	128,060,470
Bills purchased		**278,814,908**	137,316,529
Withholding taxes payable		**148,012,817**	120,543,803
Post-employment defined benefit obligation		**95,532,324**	95,532,324
Due to BSP		**41,908,938**	60,942,947
Payment orders payable		**8,333,753**	7,636,804
Others		**388,712,513**	105,670,613
		P 4,987,059,325	P4,931,275,495

Accrued expenses include primarily accruals on interest on Agri-agra penalty, performance bonus, other employee benefits, utilities, janitorial and security services fees.

Outstanding acceptances pertain to obligations recognized by the Bank in its undertaking arising from letters of credit extended to its borrowers.

Bills purchased represent the checks presented for encashment pending the clearing process of the Bank to allow its clients to meet their needs for liquidity.

Payment orders payable represents the amount transmitted by the Bank to a beneficiary's bank, which is issued upon its receipt of the payment order as instructed by the sender.

Others primarily include SSS and Pag-IBIG premiums and loans payable, sundry credits and unclaimed balances.

21 EQUITY

21.1 Capital Stock

Capital stock consists of:

	2024		2023	
	Shares	**Amount**	Shares	Amount
Preferred shares – P10 par value				
Authorized				
Balance at end of year	**130,000,000**	**P1,300,000,000**	130,000,00	P1,300,000,000
Issued and outstanding				
Balance at end of year	**62,000,000**	**P620,000,000**	620,000,000	P620,000,000
Common shares – P10 par value				
Authorized				
Balance at end of year	**1,370,000,000**	**P13,700,000,000**	1,370,000,000	P13,700,000,000
Issued and outstanding				
Balance at beginning of year	**818,750,094**	**P8,187,500,940**	643,750,094	P6,437,500,940
Issuance of capital stock				
Private placements	**-**	**-**	125,000,000	1,250,000,000
Stock right offering (SRO)	**-**	**-**	50,000,000	500,000,000
Balance at end of year	**818,750,094**	**P8,187,500,940**	818,750,094	P8,187,500,940

The Bank's preferred shares are nonvoting, convertible, and are redeemable at the option of the Bank. These shares are entitled to dividend of noncumulative 8.0% per annum for Tranche 1 and 6% for both Tranches 2 and 3.

On February 17, 2017, the BOD approved the redemption of all the issued and outstanding preferred shares of the Bank at par value of P620.0 million through staggered redemption. However, as of June 30, 2024 December 31, 2023, none of the preferred shares have been redeemed yet and the Bank has considered conversion of the preferred shares to common shares instead.

On January 9, 2013, the PSE approved the Bank's application for the listing of its common shares. The approval covered the IPO of 101,333,400 unissued common shares of the Bank at P31.50 per share and the listing of those shares in the PSE's main board on February 19, 2013, its day of listing. The Bank offered its 101,333,400 unissued common to the public at the approved P31.50 per share resulting in the recognition of additional paid-in capital of P1,998.4 million, net of transaction costs.

On August 16, 2021, during the special BOD meeting of the Bank, the BOD approved to increase its authorized capital stock with the intention of raising capital via SRO. On September 30, 2021, during the special stockholders' meeting, the stockholders approved the increase in authorized capital stock from P10,000.0 million to P15,000.0 million divided into 1,370 million common shares with par value of P10.0 and 130 million preferred shares with par value of P10.0.

On May 21, 2021 and June 25, 2021, during the regular BOD meeting and annual stockholder's meeting, respectively, the BOD and stockholders approved the change of the preferred shares features from nonconvertible to convertible to common shares and from nonredeemable to redeemable. However, it did not materialize due to the complexities in the requirements. Hence, on April 20, 2022 and July 27, 2022, during the regular BOD meeting and annual stockholder's meeting, respectively, the BOD and stockholders re-approved the change of the preferred shares feature from nonconvertible to convertible to common shares. The changes in the features of preferred shares were approved by BSP on November 20, 2023 and by the SEC on March 19, 2024.

During the regular BOD meeting of the Bank on April 20, 2022, the BOD re-approved the increase in the Bank's ACS in line with the continuing expansion of the Bank's core deposit-and-lending business since the application for increase of capital, as provided in the Revised Corporation Code, must be made within six months from approval of the BOD and shareholders. On July 27, 2022, during the annual stockholders' meeting, the stockholders also re-approved such increase in authorized capital stock. On September 26, 2022, the Bank filed the application for the increase in ACS with the SEC from P10,000.0 million to P15,000.0 million. On November 28, 2022, the Bank received the certificate of authority from the BSP for the increase in ACS, and subsequently, on January 19, 2023, the Bank obtained the necessary approval from the SEC.

On August 17, 2022, during the regular BOD meeting of the Bank, the BOD approved the offer consisting of P1,750,000,000 worth of shares, which (a) P1,250,000,000 shall consist of advance subscriptions by the Principal Shareholders out of the P5,000,000,000 increase in ACS of the Bank, by way of private placement; and (b) up to P500,000,000 SRO to eligible shareholders as of record date equivalent to 50,000,000 common shares at P10.00 per share, for the purpose of increasing capital and for general corporate requirements.

Relative to the increase in ACS as discussed above, the Bank's principal shareholders have subscribed to P1,250.0 million, equivalent to 25% of the P5,000.0 million increase in ACS, through a private placement transaction. On September 21, 2022, the principal shareholders paid P312.5 million or 25% of the minimum paid-up capital increase requirement and is presented as Deposit on Future Stock Subscription in the 2022 statement of financial position.

On January 10, 2023, the Bank received P937.5 million from the Principal Shareholders as full payment. Subsequently, on January 20, 2023, the Bank issued the 125,000,000 shares to the Principal Shareholders following the receipt of SEC approval on the P5,000 million increase in ACS on January 19, 2023.

On February 13, 2023, the Bank received the Notice of Confirmation of Exempt Transaction from the SEC with respect to the Bank's stock rights offering. Subsequently, on February 22, 2023, the PSE approved the Bank's application to list up to 50,000,000 common shares subject to its SRO which is offered to its eligible shareholders as of March 10, 2023, the record date. The offer period started on March 17, 2023, and ended on March 23, 2023, with the listing date on March 31, 2023.

Accordingly, after the private placement and the SRO, the Bank's total outstanding and issued common shares is 818,750,094.

As of June 30, 2024 and December 31, 2023, the Bank has 67 holders of its listed common stock. The Bank has 818,750,094 common shares traded in the PSE as of June 30, 2024 and December 31, 2023, respectively, and its share price closed at P8.90 and P8.70, respectively, as at the same dates.

22 Dividends

On May 22, 2019, the Bank's BOD approved the declaration of cash dividends on preferred shares amounting to P198.0 million, which was fully paid in July 12, 2019. The dividend was based on the cumulative balance of the outstanding preferred shares for the years 2014 to 2018.

On April 20, 2022, the Bank's BOD approved the declaration of cash dividends on preferred shares amounting to P118.8 million, which was fully paid in May 4, 2022. The dividend was based on the cumulative balance of the outstanding preferred shares for the years 2019 to 2021.

On April 19, 2023, the Bank's BOD approved the declaration of cash dividends on preferred shares amounting to P39.6 million, which was fully paid in May 17, 2023. The dividend was based on the cumulative balance of the outstanding preferred shares for the year 2022.

On July 19, 2023, the Bank's BOD approved the declaration of cash dividends on common shares amounting to P286.6 million, which was fully paid in August 15, 2023. The dividend was based on the cumulative balance of the outstanding common shares for the year 2022.

On May 15, 2024, the Bank's BOD approved the declaration of cash dividends on Preferred and common shares amounting to P39.6 million and 368.4 million respectively, which was fully paid in June 10, 2024. The dividend was based on the cumulative balance of the outstanding common shares for the year 2023.

23 Appropriated Surplus

Appropriated surplus consist of:

(a) General loan loss reserve, which pertains to the accumulated amount of appropriation from Surplus made by the Bank arising from the excess of the one-percent general loan loss provisions (GLLP) for outstanding loans as required by the BSP under Circular No. 1011, *Guidelines on the Adoption of PFRS 9*, over the computed allowance for ECL for Stage 1 accounts; and,

(b) Reserve for trust business representing the accumulated amount set aside by the Bank under existing regulations requiring the Bank to appropriate and transfer to surplus 10% of its net profits accruing from their trust business until the surplus shall amount to 20% of the regulatory capital. The reserve shall not be paid out in

dividends, but losses accruing in the course of the trust business may be charged against this account.

Trust reserves representing a portion of the Bank's income from trust operations were made in compliance with BSP regulations.

On August 16, 2003, the BOD approved the establishment of a sinking fund for the exclusive purpose of the redemption of redeemable preferred shares should the Bank opt to redeem the shares. However, as of June 30, 2024 and December 31, 2023, the sinking fund for the redemption of redeemable preferred shares is yet to be established.

24 Paid-in Capital from IPO

The Bank's common shares were listed at the PSE in February 2013. The total proceeds received from the IPO amounted to P3,191.9 million which exceeded par value by P1,998.4million, net of share issuance cost of P180.2 million. The excess over par value is presented as Additional Paid-in Capital in the statements of financial position.

25 COMMITMENTS AND CONTINGENT LIABILITIES

The following are the other commitment contingent liabilities of the Bank:

(a) In the normal course of the Bank's operations, the Bank has various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, and others, which are not reflected in the financial statements.

(b) There are other commitments, guarantees and contingent liabilities that arise in the normal course of the Bank's operations that are not reflected in the financial statements. The Bank recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable.

As of June 30, 2024 and December 31, 2023, management is of the opinion that losses, if any, from the foregoing items will not have a material effect on the Bank's financial statements.

26 EARNINGS PER SHARE

Basic and diluted earnings per share are computed as follows:

	2024	2023	2022
Net profit	**P1,032,045,490**	P 869,242,648	P 620,284,007
Dividends on preferred shares	**(408,037,542)**	(39,600,000)	(118,800,000)
Net profit attributable to common shareholders	**624,007,948**	829,642,648	501,484,007
Divided by the weighted average number of outstanding common shares	**818,750,094**	818,750,094	643,750,094

Basic earnings per share	**P 0.76**	P 1.01	P 0.78

As of June 30, 2024, December 31, 2023 and 2022, the Bank has no outstanding potentially dilutive securities; hence, basic earnings per share is equal to diluted earnings per share.

SCHEDULE OF AGING OF LOANS RECEIVABLES
(PSE Requirement per Circular No. 2164-99)
As of June 30, 2024

Current Accounts (by maturity)	
Up to 12 months	64,352,602,740
Over 1 year to 3 years	14,991,424,768
Over 3 years to 5 years	17,703,860,296
Over 5 years	20,497,396,742
Past due and items in litigations	7,427,353,230
Loans Receivables (gross)	124,972,637,776
Less:	
Unearned and other deferred income	196,641,318
Allowance for credit losses	6,092,960,715
Loans Receivables (Net)	118,683,035,743

FINANCIAL SOUNDNESS INDICATORS
(As Required by SRC Rule)

	June 30, 2024	'December 31, 2023
Current Ratio (1)	93.09%	95.05%
Solvency Ratio (2)	1.14	1.13
Debt-to-equity (3)	7.37	7.57
Asset-to-equity (4)	8.37	8.57
Interest rate coverage ratio (5)	1.75	1.81
Return on Equity (6)	11.32%	11.19%
Return on Assets (7)	1.34%	1.26%
Net Interest Margin (8)	4.52%	4.63%
Cost-to-Income Ratio (9)	56.83%	54.16%

Notes:

(1) Current assets divided by current liabilities
(2) Total assets divided by total liabilities
(3) Total liabilities divided by total equity
(4) Total assets divided by total equity
(5) Income before interest and taxes divided by interest expense
(6) Net income divided by average total equity for the periods indicated (annualized)
(7) Net income divided by average total assets for the periods indicated (annualized)
(8) Net interest income divided by average interest-earning assets (incl. interbank loans, trading and investment securities and loans)
(9) Other expenses (excl. provision for impairment and credit losses)divided by the sum of interest and other income for the periods indicated