

COVER SHEET

A	1	9	9	7	0	1	5	8	4	
---	---	---	---	---	---	---	---	---	---	--

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)

		3	5	0		R	I	Z	A	L		A	V	E	N	U	E		E	X	T	E	N	S	I	O	N		
		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

Contact Person

8461-5800 local 5100

Company Telephone Number

--	--	--	--	--

Month Day
Fiscal Year

SEC FORM 17-A

FORM TYPE

--	--

Month

--	--

Day

Annual Meeting

--

Secondary License Type, if Applicable

--	--	--

Dept. Requiring this Doc.

--

Amended Articles Number/Section

--

Total No. of Stockholders

Total Amount of Borrowings

--

Domestic

--

Foreign

To be accomplished by SEC Personnel concerned

--	--	--	--	--	--	--	--	--	--

File Number

LCU

--	--	--	--	--	--	--	--	--	--

Document I.D.

Cashier


S T A M P S

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 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 these securities listed on a Stock Exchange.

Yes [☒] No [☐]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange

Common shares of stock

12. Check whether the issuer:

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 that 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 ☒]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes ☐]

No ☐] NOT APPLICABLE

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

(b) Any information statement filed pursuant to SRC Rule 20;

(c) Any prospectus filed pursuant to SRC Rule 8.1.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Overview

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

The Bank’s focus is to become the bank of choice of the SME market segment. The BSP defines small and medium enterprises to be any business concern with assets between ₱3.0 million to ₱100.0 million, excluding the land value on which the entity’s office, plant and equipment are situated.

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

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

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

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

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

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

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

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

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

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

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

2. Effective capital utilization

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

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

3. Solid lending policies and practices

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

reputation, business performance and risks, and other credit evaluation factors.

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

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

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

4. Sound balance sheet well positioned for growth

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

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

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

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

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

6. Highly competent and experienced management team

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

Financial Summary / Financial Highlights

in Php millions, except per share data	31-Dec-24	31-Dec-23	% growth
Profitability			
Net interest income	6,664	6,421	3.8
Non-interest income ¹	762	981	(22.3)
Non-interest expense ²	(4,072)	(4,009)	1.6
Core income	3,442	3,105	10.9
Pre-tax pre-provision profit	3,354	3,393	(1.1)
Allowance for credit losses	(958)	(1,053)	(9.0)
Net income	1,782	1,824	(2.3)
Select balance sheet data			
Liquid assets	33,886	32,035	5.8
Loans and other receivables	128,272	117,564	9.1
Assets	167,992	154,414	8.8
Deposits	139,094	126,719	9.8
Equity	19,360	18,014	7.5
Per common share data			
Net income per share:			
Basic	2.13	2.18	(2.4)
Diluted	2.13	2.18	(2.4)
Book value	22.89	21.25	7.7
Others			
Headcount	1,856	1,748	6.2
Officer	846	795	6.4
Staff	1,010	953	6.0
Selected ratios			
Return on average equity	9.54%	11.19%	
Return on average assets	1.11%	1.26%	
Net Tier 1 CAR	12.25%	11.77%	
Capital adequacy ratio	13.15%	12.66%	

¹ Non-interest income excludes trading gains

² Non-interest expense excludes trading losses

Vision

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

Mission

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

Principal Business Activities

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

Commercial Banking

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

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

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

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

Corporate Banking

The Corporate Banking Group is dedicated to fostering deep and enduring relationships with the country's leading conglomerates, top-tier corporations, and large enterprises. As a trusted financial partner, we provide suitable banking solutions designed for the unique needs of large-scale

businesses, helping them realize their financial objectives and seize strategic opportunities. Our commitment to delivering high-value financial expertise allows us to support our clients in managing risk, optimizing capital structures, and achieving their long-term growth objectives.

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

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

Consumer Banking Group

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

However, in early 2022, when the Department of Education relaxed many restrictions against Private Lending Institutions (PLIs) such as extending loan tenor from three years to five years, and with the installation of a loan verifier within DepEd that mitigates loan default, the bank, being a licensed member of the DepEd saw an opportunity in this segment and invested resources on the product. The initial efforts in growing the business with the DepEd was quite a success in 2022. From a meager P32M volume in 2021 to P825M in 2022. Then from P825M in 2022 to P3.3B in 2024. This revived loan product has become one of the major loan products under CBG and primarily driven by the group with its own sales acquisition, retention and maintenance teams. It is being seen as one of the main generators of revenue of the bank in the future.

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

Retail Banking Segment

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

The Bank offers a comprehensive range of deposit products and services consisting of the following:

1. Regular Checking account
2. Current Account Flexi (checking & passbook savings in one account)
3. Regular Savings account
4. Payroll account
5. SSS pensioners account
6. Peso time deposit
7. Hi-5 time deposit
8. Dollar time deposit
9. Hi-Green deposit
10. Dollar savings
11. Chinese Yuan/Renminbi savings
12. Campus Savers
13. Digital Banking (with on-going enhancement)
14. Referrals of Trust services' products/investments, Insurance business, FX buy and sell, and Consumer products such as Auto, Housing, Salary, and Makaguro loans

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

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

Treasury Services Group

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

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

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

4. Financial Market Sales and Distribution Unit: markets government securities and fixed income instruments to clients.

The group offers the following products and services:

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

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

Trust and Investment Center

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

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

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

Products and Services Offered

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

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

to hedge their short term foreign exchange exposure. We also offer specialized loans for agriculture.

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

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

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

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

Reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

In April 2008, the Bank entered into a purchase agreement with the shareholders of Kabalikat Rural Bank, Inc. ("KRBI") under which the Bank purchased 100 per cent of the stock, assets, and goodwill of KRBI. Through this transaction, PBB acquired the five (5) existing branches of KRBI and converted these into thrift bank branches. As an incentive, the BSP granted PBB the right to establish three (3) branches in Restricted Areas and 10 branches in non-restricted areas of the country. In October 2008 and March 2010, the BSP and the SEC respectively approved the merger.

In June 2015, the Bank entered into a purchase agreement with the shareholders of Insular Savers Bank, Inc. (A Rural Bank) ("ISB") under which the Bank will purchase 100 percent of the stock, assets, and goodwill of ISB. This will help PBB establish a foothold in consumer loans and accelerate the Bank's strategy of expanding client coverage. The BSP approved the merger of PBB and ISB on December 2018, with PBB as the surviving bank and by the Securities and Exchange Commission on June 2019. PBB and ISB commenced operations as a merged entity in July 2019.

In July 2015, the Bank entered into a purchase agreement with the shareholders of Bataan Savings and Loan Bank ("BSLB") wherein the Bank purchased all of recorded properties, assets, and goodwill of BSLB. In October 2017, PBB consolidated its three (3) existing branches.

Distribution methods of the products or services

The Bank utilizes branches for the distribution of its deposit and loan products. The Bank has also divided its lending units to Corporate Banking Group, Commercial Banking Group, and Consumer Banking Group, working in partnership with the Retail Banking Segment, to service the banking needs of its clients. In 2016, the Bank also established the Business Development Group, later renamed as Retail Sales Group, to supplement and complement the marketing and sales efforts of Retail Banking Segment. In 2024, the Retail Sales Group and Retail Banking Segment merged to streamline operations, enhance efficiency, and provide a more unified approach to serving the banking needs of retail clients. The Bank's trust products are handled by

its Trust and Investment Center while Treasury products are marketed by its Treasury Marketing and Sales Department of the Treasury Services Group.

Factors Affecting the Bank's Results of Operations

Set out below are the most significant factors which have affected the Bank's operating results in the past and which are expected to affect the Bank's results in the future. Factors other than those set forth below may also have a significant impact on the Bank's results of operations and financial condition in the future.

Interest Rates

Fluctuations in the interest rates in the market can have a material impact on the Bank by affecting its interest income, cost of funding as well as the general performance of the Bank's loan portfolio and other assets. The profitability of the Bank depends on its ability to manage its assets and liabilities particularly during periods when interest rates are volatile. An increase in interest rates may adversely affect earnings as it results in a higher cost of funds for the Bank and portfolio value of its assets.

Regulatory Environment

The Philippine banking industry is a highly regulated sector whose operations are under the supervision of the BSP. The BSP formulates and implements regulatory policies and guidelines on capital adequacy, lending limits, anti-money laundering, management, loan loss provisioning and other aspects of a bank's operations and monitors compliance thereon through on-site and off-site examinations of banks.

Competition

The Philippine banking sector is highly competitive and the Bank is subject to significant levels of competition from domestic and foreign banks. These banks may have more capital and other larger financial resources, bigger branch network or stronger brand recognition, among others, than the Bank. Some financial institutions may be able to offer more products and services, have higher lending limits, offer lower lending rates or possess stronger balance sheets. Competition has affected and will continue to affect the Bank's funding costs as well as the ability of the Bank to market its products and services and implement its business plans and adversely impact PBB's results of operations and financial condition.

In May 2012, Republic Act No. 10574 amended the existing Rural Bank Act of 1992 to allow foreign entities to own up to 60% of the equity in rural banks. Also as a result of this Act, it became possible for foreign nationals without Philippine citizenship to be elected to rural banks' boards of directors. These amendments to rural banking regulations were aimed at attracting foreign capital to the rural banking segment of the banking sector.

The BSP welcomes more foreign players into the local banking system, as the Philippines' financial industry remains a prime destination for international banks. Since the full liberalization of the local banking sector to foreign players in July 2014, foreign banks, particularly those coming from the region, have been coming to the country either to set up branches and/or other distribution channels or as investors in existing local banks.

The industry has also seen the emergence of financial technology companies, including the granting of digital banking licenses by the BSP in 2021. The growing popularity of peer-to-peer lending and the continued roll-out of digital platforms also pose potential competitive pressures.

Philippine and global economic environment

The Bank's business, operations and assets are based in the Philippines and hence, the results of operations and performance and quality and growth of PBB's assets depend, to a large extent, on the performance of the Philippine economy. The Philippine economy, in turn, has also been adversely affected by the downturn in the global financial markets as well as the slowdown in the U.S. economy brought about by the coronavirus disease 2019 pandemic. Monetary policies worldwide formulated in response to the financial crisis resulted in a decline in interest rates. The volatility of the global and domestic market may also affect the Bank's income and margins.

Sources and availability of raw materials and the names of principal suppliers

This is not relevant to the operations of the Bank.

Customer concentration

The Bank has a diversified customer base and there is no concentration of business in major client group. The Bank is not dependent on any single customer whose loss would have a material adverse effect on the Bank.

Transactions with and/or dependence on related parties

Although the Bank deals with related parties subject to existing rules on related party transactions, there is no dependency on any of its related parties.

Patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements held

The Bank has registered with the Intellectual Property Office of the Department of Trade and Industry its New Bank Logo and Business Connect. The Bank has not been involved in any disputes with respect intellectual property rights of other parties.

Government approval of principal products or services

The Bank has no outstanding application subject to government approval.

Effect of existing or probable governmental regulations on the business

The Philippine banking industry is a highly regulated sector whose operations are under the supervision of the BSP. The BSP formulates and implements regulatory policies and guidelines on capital adequacy, lending limits, anti-money laundering, management, loan loss provisioning and other aspects of a bank's operations and monitors compliance thereon through on-site and off-site examinations of banks.

Costs and effects of compliance with environmental laws

Not applicable.

Employees

As of December 31, 2024, the Bank has a total of 1,856 employees broken down into the following categories:

Executives	91
Managers – Operations and Support	358
Managers – Branch / Marketing	397
Staff	1,010
Total	1,856

For the ensuing twelve (12) months, the Bank anticipates to hire an additional 274 employees broken down as follows:

Senior Officers	4
Junior Officers	174
Staff	96
Total	242

There is no collective bargaining agreement between the Bank and any of its employees. None of the Bank's employees are affiliated with any labor union.

Financial Risk Management Objectives and Policies

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

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

Risk management fundamentals:

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

Enterprise Risk Management Framework

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

Risk Management Process

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

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

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

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

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

management approach.

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

1st Line of Defense - Model Ownership (Modeler / User)	2nd Line of Defense - Model Control (Model Reviewer / Checker)	3rd Line of Defense - Model Validation (Model Validator)
<p>The role lies with the end-user which is primarily responsible for ensuring that the model is properly used as well as for reporting any errors and inconsistencies. Role specifically includes:</p> <ul style="list-style-type: none"> • More rigorous model testing during implementation phase. • Ongoing monitoring of model performance • Post implementation and testing. • Introducing an IT infrastructure allowing for model user feedback. 	<p>Conducts thorough inspection of model's quality by capturing potential operational errors and lapses. Adverse results should be coordinated with the modeler for correction and improvement or to the model validator for a more extensive review.</p>	<p>Function that oversees compliance with policies by the other two roles. The role is usually conducted by Compliance and / or Internal Audit Center. Role is:</p> <ul style="list-style-type: none"> • More focused on process and controls rather than model-level content. • Focused on assessment of the process for establishing and monitoring limits on model use. • Should conduct clear documentation of findings noted and reported to senior management and Board.

Risk Management Policies and Objectives

Credit Risk Management

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

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

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

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

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

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

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

(i) Retail or Consumer Loans

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

(ii) Corporate and Commercial Loans

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

(iii) Debt Securities at Amortized Cost and at FVOCI

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

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

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

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

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

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

Loan Loss Methodology (LLM)

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

Stage 1 – origination /all current accounts except current restructured loans

Stage 2 – performing but there is occurrence of loss event

Stage 3 – financial assets considered credit impaired.

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

Market and Liquidity Risk Management

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

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

<i>Metrics</i>	<i>Risk Area</i>	<i>Description</i>
VaR	Market risk	Expected loss on a position from an adverse movement in identified market risk parameter(s) with a specified probability over a nominated period of time.
Earnings-at-Risk	IRBB	Measures the amount of potential loss to net interest income as a result of projected change in interest rates over the next 12 months. This involves balance sheet items that are classified according to their repricing characteristic/behavior as bucketed in the Interest Rate Gap report
Economic Value of Equity (EVE)	IRBB	The EVE measure gauges the potential impact of change in interest rate on the Fair value of the Bank's asset and liabilities

Maximum Cumulative Outflow	Liquidity risk	The Maximum Cumulative Outflow (MCO) measures the amount of prospective funding that the Bank would require at assumed future movements of on and off-balance sheet assets and liabilities taking into consideration the behavior of accounts as to roll-over, pre-termination, as well as the core deposits. This shall be prepared separately for the Peso, Dollar, and Consolidated Books.
Stress testing	All risk areas	To measure the impact of abnormal and extreme events on the Bank's market risk exposures. Also includes statutory requirements for Universal Banks in terms of liquidity (i.e. LCR, NSFR)

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

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

- Resources for its trading activities will be allocated and classified as Financial Assets measured at Fair Value through Profit and Loss (FVPL).
- Resources for interest income generating activity that will include interbank call loans and reserve eligible financial instruments will be allocated and classified as Financial Assets measured at Amortized Cost (HTC).
- While the primary purpose of FVOCI securities is to collect contractual cash flow pending sale at a future date, or residual investments, as necessitated by rebalancing of fund allocation for yield optimization and / or liquidity purposes.

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

Operational Risk Management

Operational risk covers potential losses other than market and credit risk arising from failures of

people, process, systems and information technology, and external events.

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

The Operational Risk Management Framework has been enhanced as follows:

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

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

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

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

Information Security

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

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

- enhancement of Information Security Policies, to align with ISO 27001 standard, as well as guidelines and procedures to support its implementation
- enhancement of Information Security Program (ISP)

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

Capital Adequacy Management

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

Item 2. Properties

The Bank owns the land and building on which its head office is located. The head office is a four-story building located on a 1,300 square meter property along Rizal Avenue, Grace Park, and Caloocan City. The Bank also owns the land and premises on which nine (9) of its branches are located, specifically, PBB's branches in Paso de Blas in Valenzuela, Imus and Kawit in Cavite, Muzon in San Jose del Monte Bulacan, Limay in Bataan, Subic in Zambales, General Tinio in Nueva Ecija, Bajada in Davao City, and the main office branch in Caloocan City.

The land and premises where PBB's other branches are located are leased from various property owners. Such lease agreements are typically long term in nature, with durations of five (5) years or more. The Bank has entered into lease agreements with the following parties:

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
	Caloocan Region				
1.	Main Office Branch	Bank's Property			
2.	Grace Park	SMI Development Corporation	August 17, 2028	158,600.03	5% annually

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
3.	A. Mabini C-3	Marea Ventures Corp.	May 31, 2024	98,101.77	5% annually
4.	Camarin	Luwell Realty & Development Corporation	May 31, 2025	64,525.61	5% annually
5.	Edsa-Calooocan Business Center	Solmac Marketing Inc.	March 31, 2027	72,335.64	7% on 3rd, 5th, 7th, & 9th
6.	Caloocan-MacArthur Highway	Color Group Inc.	July 15, 2026	73,500.00	5% on 3rd yr. & every yr thereafter
7.	Kaybiga	Guilmar Marble Corporation	October 20, 2025	62,618.10	5% annually
8.	Samson Road	Oscar F. Tirona	September 30, 2024	62,618.10	10% annually
9.	North Caloocan-Quirino Highway	Threehorse Realty and Development Corporation	April 25, 2026	58,800.00	5% on 3rd year & every yr thereafter
	Manila Region				
1.	Binondo Corporate Center	Philippine-Chinese Charitable Association, Inc.	September 30, 2024	150,051.22	10% every other 2 yrs
2.	Carmen Planas	Zaldra Realty Development Corporation	December 31, 2024	91,461.54	5% annually
3.	Elcano	SCH Land Holdings, Corp.	August 31, 2024	130,638.17	5% annually
4.	Jose Abad Santos	Virgilio Ting Uy	December 15, 2028	90,000.00	5% on 3rd year & every yr thereafter
5.	Quintin Paredes	Downtown Realty Investment Corporation	June 30, 2025	287,407.03	5% annually
6.	Adriatico-Malate	Upton Realty and Development Corporation	February 3, 2023	164,630.76	month to month since expiry date
7.	Pasay	Mayson Realty Corporation	August 14, 2028	66,852.85	5% annually
8.	Pasay-Malibay	M. Ainsley Realty Corporation	December 31, 2028	94,800.00	5% annually
9.	Paterno-Quiapo	Edilberto Pontillas	June 30, 2028	146,600.52	5% annually
10.	Pedro Gil-Paco	Stephen, John, David, Luther, Grace all surnamed TIU	July 26, 2027	130,311.57	5% annually

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
	Northern Metro Manila Region				
1.	Malinta	Cesar L. Flores & Marciana M. Flores	July 15, 2026	71,662.50	5% annually
2.	Malabon	J2NS Property Development, Inc.	July 31, 2028	119,000.00	7% on 3 rd year & every year thereafter
3.	Malabon-Rizal Avenue	Flaviano G. Felizardo III	August 18, 2026	40,000.00	Fixed
4.	Navotas	Megarite Development Corporation	December 31, 2024	57,415.66	10% 1st year/ 7% 2nd & 3 rd / 5% 4 th & 5 th
5.	Paso de Blas	Bank's Property			
6.	Valenzuela	PSL Prime Realty Corporation	July 31, 2028	134,904.71	5% annually
7.	Baliuag	Danilo S. Santos	December 31, 2027	76,965.28	5% annually
8.	Bocaue	Joel G. Castillo and Cynthia G. Castillo	December 31, 2026	56,284.01	5% annually
9.	Malolos	DJ Paradise Resort Inc.	December 31, 2024	46,026.65	5% annually
10.	Meycauayan	I.S. Properties, Inc.	December 31, 2025	84,426.02	5% annually
11.	Muzon	Bank's Property			
12.	Sta. Maria	Angelica Halili Cruz	September 30, 2027	52,033.41	5% on 3 rd yr. & every yr thereafter
13.	Angeles	AJV Investment Holdings, Inc.	June 30, 2028	84,802.92	5% on 3 rd yr. & every yr thereafter
14.	Cabanatuan	Sps. Leonardo Toh Callueng & Maria Cristina Lao Callueng	January 15, 2027	86,800.50	5% annually
15.	Gapan	Veronica, Albino, Digna, Gregorio, Elizabeth(all surnamed Del Fonso)	November 1, 2023	79,800.00	8% on the 3rd year
16.	Gen. Tinio	Bank's Property			
17.	Olongapo City	Sps. Wilson W. Chieng and Betty Chieng	July 31, 2024	105,062.50	2.5% annually
18.	San Fernando	JTG Sears Realty Corporation	April 30, 2027	93,006.95	5% annually

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
19.	Balanga	Melencio A. Unciano, Jr.	October 31, 2024	88,647.33	5% annually
20.	SBMA-Subic	Subic Creative Center, Inc.	May 31, 2026	114,340.36	134.36sq.m. First Year (2023-2024)Php 851 Second Year (2024-2025) Php 911 Third Year (2025-2026)Php 975
21.	Limay	Bank's Property			
22.	Subic-Zambales	Bank's Property			
23.	Dinalupihan	Julieta Lintag Reyes (Attorney-In-Fact)	September 30, 2028	50,000.00	5% on 3 rd yr. & every yr thereafter
24.	San Fernando-San Agustin	Purificacion T. Tanglao	November 30, 2033	128,000.00	5% On 3 rd 4 th 5 th 6 th no escalation 10% on 7 th 8 th 9 th 10 th
25.	Guagua	Casa Nueve Realty Development Corporation	September 30, 2026	89,250.00	5% on 3 rd yr. & every yr thereafter
26.	Valenzuela-Gen. T. De Leon	CrystalSpace Development Corporation	July 15, 2026	81,270.00	5% on 3 rd yr. & every yr thereafter
	Eastern Metro Manila Region				
1.	Greenhills	LGI Group Corporation	May 31, 2027	117,249.00	None, straight 5 years
2.	Mandaluyong	Antonio H. Yap	December 31, 2027	123,644.87	fixed for 3 years
3.	Ortigas	CW Marketing and Development Corporation	June 14, 2025	91,602.84	5% annually
4.	Pasig Blvd.-Kapitolyo	Dhondup Holdings Inc.	April 14, 2024	68,113.05	Fixed
5.	Antipolo	Megathon Properties, Inc.	August 14, 2023	98,808.12	5% annually
6.	Cainta	Molks Realty Development Corp.	September 14, 2028	96,182.34	5% annually

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
7.	Marikina	Shaun D. Nandwani	September 30, 2026	121,000.00	5% on the 4 th year
8.	Concepcion-Marikina	Mark William Pua Uy	August 14, 2028	72,930.00	5% on the 3 rd year only
9.	Antipolo-Masinag	Rikland Property Leasing	December 20, 2026	83,738.21	5% first 3 years; 10% every year after
10.	Taytay	Estelita M. Felix	October 31, 2024	107,791.10	5% annually
11.	Ortigas Ave. Ext.-Cainta	Decoro General Construction and Trading Corporation	January 31, 2026	68,281.06	5% on 3 rd yr. & every yr thereafter
12.	Gil Fernando Ave.- Marikina	UPA WRC development Company	October 15, 2024	91,892.27	5% annually
	Central Metro Manila Region				
1.	Commonwealth-Fairview	Frederick C. Ibay	November 30, 2026	102,620.37	5% annually
2.	Cubao	RSAG Building Management Services	August 15, 2025	98,398.13	5% annually
3.	Novaliches	Luwell Realty & Development Corporation	September 30, 2024	122,567.21	5% annually
4.	Timog-Rotonda	A.A. Tanco, Inc.	November 30, 2023	118,196.44	5% annually
5.	Banawe	Solmac Marketing Inc.	April 30, 2025	192,359.08	5% annually
6.	Quezon Avenue- D. Tuazon	Lotteworld Import & Export, Inc.	July 31, 2031	94,500.00	5% on 3 rd yr. & every yr thereafter
7.	Congressional Avenue-Quezon City	Avli Enterprises	March 16, 2025	109,218.94	5% on 3 rd yr. & every yr thereafter
8.	Del Monte	SMI Development Corporation	December 31, 2026	146,044.50	5% on 3 rd yr. & every yr thereafter
9.	Retiro	Doña Ignacia Development Corporation	May 21, 2026	79,664.04	5% annually
10.	Roosevelt	Henry Tan Villasi	November 14, 2024	42,294.68	None

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
11.	West Avenue	Fiorino Development Corporation	June 22, 2027	66,167.22	5% on 3 rd yr. & every yr thereafter
12.	Kamias-Anonas	Citi Property Management and Realty Corporation	August 15, 2025	111,442.37	5% annually
13.	Quezon Avenue	Comworks, Inc.	November 18, 2024	205,285.36	4% on the 3 rd year & every year after
	Southern Metro Manila Region				
1.	Legaspi Village-Makati	Andrea L.Dulalia	January 14, 2026	107,223.39	5% annually
2.	Makati	AMY Leasing Company	January 1, 2024	197,993.17	5% annually
3.	Salcedo Village-Makati	Frontier Realty/Lacelli International Corporation	July 31, 2027	168,429.93	5% on 3 rd yr. & every yr thereafter
4.	Sucat-Parañaque	Jaka Investments Corporation	14-Feb-24	98,310.95	None
5.	The Fort	Megaworld Corporation/Bonifacio West Dev't Corp.	April 30, 2025	386,200.72	escalation per sq. m.
6.	Dasmariñas-Cavite	Jica Land Developers Inc.	September 30, 2028	67,964.17	5% on 3 rd yr. & every yr thereafter
7.	Imus	Bank's Property			
8.	Las Piñas	Omni Investment Bldg	February 26, 2024	91,602.24	5% annually
9.	Madrigal Business Park	Solid Gold Realty Corporation	August 25, 2026	92,276.87	3% annually
10.	Muntinlupa	Sps. Sturnino L. Baccay & Katherine C. Baccay	October 1, 2024	89,302.52	Yearly renewal
11.	Molino-Bacoar	Sola Grande Realty Corporation	June 30, 2024	79,296.60	5% annually
12.	Trece Martires-Cavite	Virginia P. De Guzman	June 15, 2025	44,669.85	5% on 3 rd yr. & every yr thereafter
13.	Carmona-Cavite	Best Century Real Estate Business, Inc.	February 28, 2025	86,105.25	5% on 3 rd yr. & every yr thereafter

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
14.	Kawit	Bank's Property			
15.	Binakayan	Philippine National Railways	July 31, 2024	44,160.00	10% annually
16.	Better Living-Parañaque	Lauan Commercial Corporation	December 31, 2025	76,576.90	5% on 3 rd yr. & every yr thereafter
17.	Bonifacio Global City	MC Home Depot (Fort Bonifacio), Inc.	December 31, 2024	134,674.04	Yearly renewal
18.	Aseana City-Paranaque	Ri-Rance Realty Corporation	May 14, 2024	153,695.88	5% on the 3 rd year
19.	Bonifacio Global City- Net Plaza	14-678 Property Holdings, Inc.	March 14, 2024	242,219.25	5% annually
20.	Makati- Aguirre	St. Francis Square Development Corporation	January 1, 2026	385,913.05	7% annually
	Northern Luzon Region				
1.	Cauayan	Jolilyn A. Guy	April 30, 2028	102,102.53	5% annually
2.	Laoag City	Laoag Allied Realty and Development	September 30, 2026	102,803.74	Fixed
3.	Tuguegarao	Lorita C. Corral	September 16, 2026	96,577.92	5% annually
4.	Santiago	Sps. Manuel Salvador N. De Vera and Bonalet M. De Vera	June 30, 2024	91,162.97	5% annually
5.	Vigan	Juvencio L. Pe Benito	June 30, 2024	60,500.00	10% on 3 rd yr. Only
6.	Baguio	Atty. Ernesto Ll. De los Santos	August 24, 2024	95,824.76	5% on 2 nd year & every 2 yrs thereafter
7.	Dagupan	Wilson Dy	May 14, 2027	112,310.75	5% on the 3 rd year
8.	La Union	Rome Development & Management Corp.	August 14, 2024	85,085.44	5% annually

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
9.	Tarlac	Edward Allan H. Que	July 31, 2027	69,457.50	5% on 3 rd yr. & every yr thereafter
10.	Urdaneta	Gold and Chimes Realty Corporation	January 31, 2032	89,773.88	5% every 2 years
11.	Tarlac-Paniqui	Green Field Miracle Realty Development Corporation	January 15, 2025	54,823.45	5% on 3 rd yr. & every yr thereafter
12.	Benguet-La Trinidad	Jerrison Ang Tiong and Janesa Ang Tiong	February 15, 2026	79,439.25	Fixed for 3 years
13.	Pangasinan-Lingayen	Carmen E. Dyliacco, Piedad E. Dyliacco & Montserrat S. Escano	October 31, 2025	74,577.38	5% annually
14.	Candon-Ilocos Sur	Bienvenido Gabayan	October 31, 2025	73,684.21	Fixed for 5 years
15.	Solano	Antonio, Jacinto, William and Ramon, all surnamed Uy Lim	May 31, 2028	63,814.08	5% annually
16.	Calasiao-Pangasinan	Bonbryan D. Velasco	March 31, 2024	52,093.13	5% on 3 rd yr. & every yr thereafter
	Southern Luzon Region				
1.	Batangas	H.C. Tomson Development Corporation	February 28, 2026	94,500.00	5% on 3 rd yr. & every yr thereafter
2.	Lipa City	Reynato D. Goce	August 15, 2027	108,306.53	7% annually
3.	Tanauan	RNT Enterprises	August 15, 2028	101,311.22	5% annually
4.	Calapan	Mila S. Tolentino, Amado S. Tolentino Jr. and Lita S. Tolentino	May 22, 2024	60,786.73	5% on 1 st to 4 th year and 8% on the 5 th
5.	Calamba	Nelson Lu & Josie T. Lu	December 31, 2025	97,733.70	5% on 3 rd yr. & every yr thereafter
6.	Lucena City	Amalia Garana-Italia	November 2, 2028	73,538.15	5% on 3 rd yr. & every yr thereafter
7.	San Pablo	Albrighton Corporation	October 15, 2028	83,468.82	5% on 4 th yr and every yr thereafter

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
8.	Sta. Rosa	Philippine Seven Corporation(Sub Lessor)	February 28, 2024	139,583.36	7.5% annually
9.	San Pedro	Lily Tsang Ngo	March 31, 2025	109,685.52	5% from the previous, fixed for 2 years
10.	Legazpi City	Natividad M. Sison	August 14, 2027	67,004.78	5% on 3 rd yr. & every yr thereafter
11.	Naga	Peterson Resources and Holding Inc.	February 28, 2025	99,225.00	5% on 3 rd yr. & every yr thereafter
12.	Sorsogon	Sorsogon Chang Kai Shek School	September 30, 2026	81,075.79	Fixed for 3 years
13.	Puerto Princesa Palawan	Sps. Allan and Dawn Carlos	June 30, 2025	98,456.01	Fixed
14.	Iriga-Camarines Sur	Arnel H. Tan	March 31, 2025	77,390.52	5% annually
15.	Biñan-Laguna	Abbie Lane M. Perez	May 30, 2025	67,004.77	5% annually
16.	Balayan	Mafel Cayabyab Alvez	June 30, 2024	94,736.84	Fixed for 5 years
	Visayas Region				
1.	Bacolod	T.U. Realty & Development Co., Inc.	June 30, 2024	116,896.97	5% on 3 rd yr. & every yr thereafter
2.	Iloilo	Muzon San luis Property, Inc.	January 31, 2029	109,796.09	5% annually
3.	Iloilo- Donato Pison	Greenzone Realty and Development Corporation	November 30, 2028	109,047.12	5% annually
4.	Kalibo	Lawrence Ti Lu	September 5, 2029	112,007.78	7% on the 3 rd year
5.	Downtown-Cebu	P2P Property Ventures, Inc.	May 14, 2029	100,655.02	5% on 3 rd yr. & every yr thereafter
6.	Lapu-Lapu City	Antonio M. Amistad	February 14, 2027	102,941.04	5% annually
7.	Mandaue	Lester & Lesley To Chip	March 31, 2024	85,516.97	5% on 3 rd yr. & every yr thereafter

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
8.	Tacloban	Tacloban Buddhist Temple, Inc.	May 30, 2028	85,085.44	5% annually
9.	Tagbilaran	EB Gallares Properties Associates, Inc.	December 31, 2027	103,254.44	5% on 3 rd yr. & every yr thereafter
10.	Consolacion-Cebu	1028 Realty Corporation	November 30, 2024	86,305.56	5% annually
11.	Cebu-Talisay	Dynasty Management and Development Corporation	September 30, 2025	63,816.32	5% on 3 rd yr. & every yr thereafter
12.	Cebu-Escario	Nicris Dev., Corp.	June 18, 2025	87,568.54	5% annually
13.	Cebu-Banilad	SmartGlobal Holdings Inc.	June 30, 2025	95,524.06	3% annually
14.	Roxas City	Maria Rosario Susan J. Sanson	November 15, 2025	81,812.83	5% annually
15.	Ormoc	Raquel Codilla Abucay and Lydia Codilla Abastillas represent as the Trustees of Narcisa Codilla Enterprises Inc.,	June 1, 2028	72,600.00	5% every other 2 yrs
16.	Catbalogan	Ramon L. Rosales	July 30, 2024	62,000.00	one year only
17.	Iloilo-Jaro	Rosman Iloilo, Inc.	September 15, 2026	75,811.12	5% annually
	Mindanao Region				
1.	Davao-Bajada	Bank's Property			
2.	Sales-Davao	JM Agro Industrial Trading Corporation	March 31, 2026	159,500.00	10% every 2 years
3.	General Santos	Firenzo Property Dev't/GSC Suncity Suites	September 16, 2025	84,043.58	5% every 2 years
4.	Davao-Lanang	Binansel Inc.	May 31, 2024	80,000.00	Additional P5,000 every 2 years

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
5.	Davao-Toril	Far East Noble House, Inc.	July 31, 2024	54,541.90	5% on 3 rd yr. & every yr thereafter
6.	Tagum City-Davao	Albert L. Ng	December 15, 2024	68,421.05	Fixed for 5 years
7.	General Santos-Santiago Blvd.	Asaje Realty Corporation	December 15, 2024	95,261.35	5% 1st, 2nd & 3rd; 7.5% 4th & 5th
8.	Butuan	FG Ever, Inc.	December 25, 2026	88,869.49	5% annually
9.	Cagayan de Oro	Leo Boyd Casiño and Bernard M. Casiño	May 31, 2024	54,263.67	5% annually
10.	Cagayan de Oro- Cogan	Alice LL. Andrada, Inc.	December 31, 2027	69,457.50	3% on 3 rd yr. & every yr thereafter
11.	Iligan City	Sps. Glen and Marissa Doromal	March 31, 2024	52,093.12	5% on 3 rd yr. & every yr thereafter
12.	Zamboanga	Wee Agro Industrial, Inc.	September 5, 2028	88,647.34	5% annually
13.	Ozamis	The Insular Life Assurance Company, LTD	July 15, 2024	59,018.40	5% annually
14.	Dipolog	Johnny A. Lim	September 30, 2024	90,000.00	Fixed
15.	Dumaguete	Bank's Property			
16.	Davao-Panabo	Asaje Realty Corporation	January 15, 2025	88,519.27	5% on 3 rd yr. & every yr thereafter
17.	Surigao City	Engr. Leonel A. Santos	July 31, 2025	61,226.00	10% on 3rd year only

For 2025, PBB has the following branches lined up for relocation:

1. Makati - Aguirre Branch
2. Puerto Princesa, Palawan Branch
3. Bonifacio Global City Branch
4. Meycauayan Branch
5. Calapan Branch
6. Quezon Avenue Branch
7. Pearl Plaza Branch Lite Unit Branch
8. Taguig Branch Lite Unit

Common factors that affects management's decision in relocating the affected branches includes:

- lessor issues
- sale of the property with conditions for the seller/lessor's plan to re-purpose the space being leased by the bank
- branch redundancy in the case of some former ISB Branches
- need for bigger and better location
- non-income generation
- opportunities from the consolidation of branches of competitive banks
- high rental rates

It is part of the strategic direction and rationalization process of the bank to relocate branches which have present problems and business challenges to better and more feasible sites than the present location. Relocation is the best possible option to address the above issues or concerns for the betterment of the business of the affected branches. The bank is committed to enhance client experience inside our branches allow them to reach the branches easily and worry free in terms of accessibility, visibility, convenience and parking.

The bank, as much as possible, would want to retain its present location specially the established ones to avoid the unnecessary cost. We also believe that becoming a landmark on the areas where we are situated is good for the recall of the clients which also signifies stability but the present issues for some of our sites drives us to relocate the affected branches mentioned above. Most of the branches of PBB are on long term lease with provisions for Contract Pre-termination in case of any uncertainties. The Bank continues to be aggressive in exploring its options and is willing to invest in good sites if there is an available opportunity.

PBB is also planning to add new branches in the following areas in 2025:

1. City of Valenzuela
2. City of Las Piñas
3. Concepcion, Tarlac
4. City of Tabaco, Albay
5. San Jose City, Nueva Ecija
6. Sta. Cruz, Laguna
7. Koronadal, South Cotabato
8. Tanay, Rizal
9. City of Angeles, Pampaga
10. Gumaca, Quezon
11. Rosales, Pangasinan
12. Rosario, Batangas
13. City of Pagadian, Zamboanga del Sur
14. City of Mati, Davao Oriental

The cost of relocation for each branch depends on the size of the floor area but ranges from ₱5.0 to ₱7.0 million per branch, and the cost to set up a new branch is ₱7.0 to ₱9.0 million per branch. The Bank believes all its facilities and properties are currently in good condition.

Item 3. Legal Proceedings

The Bank has no proceedings that involves a claim for damages that exceed 10% of the current assets of the Bank.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to vote security holders, through the solicitation of proxies or otherwise.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Information

The Bank is listed on the Philippine Stock Exchange (the “PSE”) with a market capitalization of ₱7.10 billion as of April 3, 2025. The high and low prices of the Registrant’s shares as of April 2, 2025 were at ₱8.67 and ₱8.40 and closed at ₱8.40. The high and low sales prices for each quarter within the last two fiscal years are as follows:

	2023		2024		2025	
	Low	High	Low	High	Low	High
1Q	9.02	11.50	8.50	8.90	8.25	10.00
2Q	7.09	9.30	8.22	9.50	8.40	8.69
3Q	6.90	8.60	7.90	9.19		
4Q	8.10	8.85	8.32	9.90		

Holders

As of December 31, 2024, the following are the holders of record of the Bank’s common shares as set forth in the table:

Name	No. of Shares	Percentage
1. Alfredo M. Yao	295,641,381	36.10%
2. PCD Nominee Corporation - Filipino	242,554,052	29.62%
3. Zest-O Corporation	222,262,822	27.15%
4. Armando M. Yao	14,767,039	1.80%
5. Mary Grace S. Yao	9,479,537	1.16%
6. PCD Nominee Corporation - Non-Filipino	8,763,034	1.07%
7. Jeffrey S. Yao	8,304,538	1.01%
8. Leticia M. Yao	4,847,505	0.59%
9. Carolyn S. Yao	4,517,037	0.55%
10. Erlinda M. Yao	4,847,506	0.59%
11. Peter Y. See	375,000	0.05%
12. Johnny Chan	187,500	0.02%
13. Jimmy Wai Piu Ng	187,500	0.02%
14. Eusebio S. Go	187,500	0.02%
15. Antonio D. Tan &/or Caridad Tan	187,500	0.02%
16. Reynato Keh Lim &/or Susana Dy Lim	187,500	0.02%
17. Xiaohan Wu	177,937	0.02%
18. Joaquin Sy Chua	140,624	0.02%
19. Manuel Arellano Santiago or Ella Capalad Santiago	127,627	0.02%
20. Roberto Lee Obiedo	112,500	0.01%
Others	894,455	0.11%
Total	818,750,094	100.00%

On November 16, 2012, the SEC approved PBB's application for the amendment of its articles of incorporation to increase its authorized capital stock from ₱3.0 billion to ₱10.0 billion and for a decrease in par value from ₱100.0 to ₱10.0.

On April 20, 2022, the Board of Directors approved the increase of PBB's authorized capital stock to ₱15.0 billion from ₱10.0 billion, approved by the BSP on November 28, 2022 and SEC on January 19, 2023. PBB is increasing its authorized capital stock with the intention of raising capital via stock rights offering which will greatly expand the Bank's capability to develop more businesses and harness opportunities in the financial services space. The increase will enable PBB to meet the growing demands of the banking business.

In support of the increase in authorized capital stock, the principal shareholders of PBB subscribed to ₱1.25 billion of common stock, equivalent to 25% of the ₱5.0 billion increase in authorized capital stock. On January 10, 2023, the principal shareholders fully paid the balance of their subscription in the increase in authorized capital stock. PBB also raised ₱500.00 million, priced at ₱10.00, from its stock rights offering; the SRO shares were listed on the PSE on March 31, 2023. The private placement and the stock rights offer collectively resulted in a capital raise of ₱1.75 billion.

Dividends

PBB is authorized under Philippine laws to declare dividends, subject to certain requirements. The Board is authorized to declare dividends only from its unrestricted retained earnings and these

dividends may be payable in cash, shares or property, or a combination thereof as may be determined by the Board. A cash dividend declaration does not require any further approval from shareholders. The declaration of stock dividends is subject to the approval of shareholders holding at least two-thirds of PBB's outstanding capital stock. The Board may not declare dividends which will impair its capital.

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

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

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

As of this date the Bank has not adopted a specific dividend policy which defines a minimum percentage of net earnings to be distributed to its common shareholders.

On July 16, 2012, the Bank's shareholders and Board of Directors approved the declaration of stock dividends amounting to ₱2.0 billion from its unrestricted retained earnings. In the same meeting, the Board also approved the payment of cash dividends to the preferred shareholders in the total amount of ₱100.35 million. Payment of these dividends were approved by BSP and SEC. On November 16, 2012, the Bank obtained approval for the issuance of 200,000,000 new common shares each at a par value of ₱10.00, in relation to this stock dividend declaration and the payment of cash dividends to the preferred stockholders.

On May 5, 2014, the BOD approved the declaration of cash dividends amounting to ₱62.3 million for all issued and outstanding preferred shares and stock dividends totaling 85.8 million common shares amounting to ₱858.3 million for all issued and outstanding common shares to stockholders on record for the year ended December 31, 2013. The dividend distribution was approved by the stockholders representing at least two-thirds of the issued and outstanding capital stock and the BSP on May 30, 2014 and June 26, 2014, respectively.

On August 19, 2015, the BOD approved the declaration of stock dividends amounting to ₱1.1 billion for all issued and outstanding common shares totaling 107.3 million common shares to stockholders on record for the year ended December 31, 2014. The dividend distribution was approved by the stockholders representing at least two-thirds of the issued and outstanding capital stock and the BSP on May 29, 2015 and August 4, 2015, respectively.

On March 15, 2017, the BOD approved the declaration of 20% stock dividends amounting to ₱1.1 billion for the Bank's 536.5 million common shares.

On May 22, 2019, the Bank's BOD approved the declaration of cash dividend on preferred shares amounting to ₱198.0 million, which was fully paid on July 12, 2019. The dividend was based on the cumulative balance of the outstanding preferred shares for the years 2014 to 2018.

The Bank's BOD approved the declaration of cash dividends amounting to ₱118.8 million (₱1.92 per share) in favor of all holders of the Bank's unlisted preferred shares for years 2019 to 2021 on April 20, 2022, which was fully paid on May 4, 2022.

On July 19, 2023, The Board of Directors of Philippine Business Bank, during the regular board meeting, approved the declaration of cash dividends amounting to ₱286,562,533.00, or ₱0.35 per share, to common stockholders and fixing the Record Date of August 02, 2023 and Payment Date of August 15, 2023.

The Board of Directors of Philippine Business Bank, during the regular board meeting held on May 15, 2024, approved the declaration of cash dividends amounting to Php 368,437,542, or Php 0.45 per share, to common stockholders and fixing the Record Date of May 29, 2024 and Payment Date of June 10, 2024.

There had been no stock options offered by the Bank.

Item 6. Management's Discussion and Analysis or Plan of Operation

A. Financial Performance

For the calendar year ended December 31, 2024 and 2023:

	For the calendar period ended				
	12/31/2024	12/31/2023	Variance	% change	
Interest income	₱ 10,632,123,938	₱ 9,295,600,820	₱ 1,336,523,118	14.4	
Interest expense	(3,967,661,249)	(2,874,207,094)	(1,093,454,155)	38.0	
Net interest income	₱ 6,664,462,689	₱ 6,421,393,726	₱ 243,068,963	3.8	

Overall interest income as of year-end 2024 reached ₱10,632.1 million from ₱9,295.6 million in 2023 driven by the increase in interest income on loans and other receivables and investment and trading securities of 13.4% and 48.1%, respectively. Interest expense on deposit liabilities expanded to ₱3,646.9 million in 2024 from ₱2,739.8 million in 2023.

As a result, net interest income grew by 3.8% from ₱6,421.4 million last year to ₱6,664.5 million as of December 2024. Net interest margin was at 4.31% in December 2024.

	For the calendar period ended				
	12/31/2024	12/31/2023	Variance	% change	
Net interest income	₱ 6,664,462,689	₱ 6,421,393,726	₱ 243,068,963	3.8	
Service charges, fees, and commissions	307,411,761	260,798,581	46,613,180	17.9	
Miscellaneous	541,745,762	431,988,496	109,757,266	25.4	
	7,513,620,212	7,114,180,803	399,439,409	5.6	
Non-interest expenses	(4,071,552,269)	(4,009,151,465)	(62,400,804)	1.6	
Core income	₱ 3,442,067,943	₱ 3,105,029,338	₱ 337,038,605	10.9	

Other income increased by 22.6% from ₱692.8 million in 2023 to ₱849.2 million in 2024. The increase in other income is primarily driven by gains in miscellaneous income.

Non-interest expenses (excluding trading losses) as of December 2024 stood at ₱4,071.6 million, 1.6% higher than the ₱4,009.2 million operating expenses recorded last year. The Bank's occupancy expenses had the highest year-on-year (YoY) growth of 17.1% primarily driven by costs associated with outsourced services. Salaries and other employee benefits, however, had decreased by 1.0% YoY.

As a result, core income as of end 2024 increased by 10.9% to ₱3,442.1 million, from ₱3,105.0 million in 2023.

	For the calendar period ended				
	12/31/2024	12/31/2023	Variance	% change	
Core income	₱ 3,442,067,943	₱ 3,105,029,338	₱ 337,038,605	10.9	
Trading gains	(87,575,241)	287,760,989	(375,336,230)	(130.4)	
Pre-tax pre-provision profit	3,354,492,702	3,392,790,327	(38,297,625)	(1.1)	
Loan loss provisions	(958,395,769)	(1,053,438,713)	95,042,944	(9.0)	
Profit before tax	(614,026,311)	(515,334,634)	(98,691,677)	19.2	
Net income	₱ 1,782,070,622	₱ 1,824,016,980	(₱ 41,946,358)	(2.3)	

The volatile trading environment in the fourth quarter of 2024 pushed yields higher for both peso and dollar denominated securities, which resulted to an ₱87.6 million loss for the Bank's trading activities for the year from the trading gain of ₱287.8 million posted in 2023. This brought the pre-tax pre-provision profit down by 1.1% to ₱3,354.5 million from ₱3,392.8 million in the same period last year.

PBB set aside a total of ₱958.4 million in provision for loan losses. As a result, net income for full year 2024 amounted to ₱1,782.1 million, down 2.3%.

For the calendar year ended December 31, 2023 and 2022:

	For the calendar period ended				
	12/31/2023	12/31/2022	Variance	% change	
Interest income	₱ 9,295,600,820	₱ 6,579,550,025	₱ 2,716,050,795	41.3	
Interest expense	(2,874,207,094)	(1,032,179,450)	(1,842,027,644)	178.5	
Net interest income	₱ 6,421,393,726	₱ 5,547,370,575	₱ 874,023,151	15.8	

Overall interest income as of year-end 2023 reached ₱9,295.6 million from ₱6,579.6 million in 2022 driven by the increase in interest income on loans and other receivables and investment and trading securities of 13.5% and 55.6%, respectively. Total interest expense was 2.8x higher than last year following the rate hikes imposed by the BSP during the year. Interest expense on deposit liabilities expanded to ₱2,739.8 million in 2023 from ₱976.0 million in 2022.

As a result, net interest income grew by 15.8% from ₱5,547.4 million last year to ₱6,421.4 million as of December 2023. Net interest margin rose by 30 basis points from 4.33% in December 2022 to 4.63% in the same period in 2023.

	For the calendar period ended				
	12/31/2023	12/31/2022	Variance	% change	
Net interest income	₱ 6,421,393,726	₱ 5,547,370,575	₱ 874,023,151	15.8	
Service charges, fees, and commissions	260,798,581	727,958,296	(467,159,715)	(64.2)	
Miscellaneous	431,988,496	218,226,956	213,761,540	98.0	
	7,114,180,803	6,493,555,827	620,624,976	9.6	
Non-interest expenses	(4,009,151,465)	(3,408,209,317)	(600,942,148)	17.6	
Core income	₱ 3,105,029,338	₱ 3,085,346,510	₱ 19,682,828	0.6	

Other income declined by 26.8% from ₱946.2 million in 2022 to ₱692.8 million in 2023. The Bank had a one-time income from loan prepayment in 2022.

Non-interest expenses as of December 2023 stood at ₱4,009.2 million, 17.6% higher than the ₱3,408.2 million operating expenses recorded last year. The Bank's taxes and licenses had the highest YoY growth of 44.3% owing to the Bank's income growth and higher documentary stamp tax from deposits. Salaries and other employee benefits had the rose by 14.8% YoY.

As a result, core income as of end 2023 reached ₱3,105.0 million.

	For the calendar period ended					
	12/31/2023	12/31/2022	Variance	% change		
Core income	₱ 3,105,029,338	₱ 3,085,346,510	₱ 19,682,828	0.6		
Trading gains	287,760,989	(402,252,951)	690,013,940	(171.5)		
Pre-tax pre-provision profit	3,392,790,327	2,683,093,559	709,696,768	26.5		
Loan loss provisions	(1,053,438,713)	(820,614,023)	(232,824,690)	28.4		
Profit before tax	(515,334,634)	(551,030,042)	35,695,408	(6.5)		
Net income	₱ 1,824,016,980	₱ 1,311,449,494	₱ 512,567,486	39.1		

Amidst the market condition faced by the country, the Bank was able to recover from its trading activities and generated a gain of ₱287.8 million in December 2023 from the trading loss of ₱402.3 million in December 2022. This brought the pre-tax pre-provision profit to ₱3,392.8 million from ₱2,683.1 million in the same period last year.

PBB set aside a total of ₱1,053.4 million in provision for loan losses. As a result, net income for full year 2023 amounted to ₱1,824.0 million, up 39.1%.

For the calendar year ended December 31, 2022 and 2021:

	For the calendar period ended					
	12/31/2022	12/31/2021	Variance	%		
Interest income	₱ 6,579,550,025	₱ 6,334,664,192	₱ 244,885,833	3.9		
Interest expense	(1,032,179,451)	(838,321,999)	(193,857,452)	23.1		
Net interest income	₱ 5,547,370,575	₱ 5,496,342,193	₱ 51,028,382	0.9		

Overall interest income as of year-end 2022 reached ₱6,579.6 million from ₱6,334.7 million in 2021 driven by the increase in interest income on loans and other receivables and investment and trading securities of 2.5% and 17.3%, respectively. Total interest expense was 23.1% higher than last year following the rate hikes imposed by the BSP during the year. Interest expense on deposit liabilities expanded to ₱976.0 million in 2022 from ₱644.2 million in 2021 while interest expense on corporate notes payable recorded a 96.2% decline following the prepayment of the notes payable last January 2022.

As a result, net interest income slightly grew by 0.9% from ₱5,496.3 million last year to ₱5,547.4 million as of December 2022. Net interest margin declined by 21 basis points from 4.54% in December 2021 to 4.33% during the same period in 2022.

	For the calendar period ended					
	12/31/2022	12/31/2021	Variance	%		
Core income						
Net interest income	₱ 5,547,370,575	₱ 5,496,342,193	₱ 51,028,382	0.9		
Service charges, fees and commissions	727,958,296	369,420,926	358,537,370	97.1		
Miscellaneous	218,226,956	196,510,646	21,716,310	11.1		
	6,493,555,827	6,062,273,765	431,282,062	7.1		
Non-interest expenses	(3,408,209,317)	(3,268,051,130)	(140,158,187)	4.3		
Core income	₱ 3,085,346,510	₱ 2,794,222,635	₱ 291,123,875	10.4		

Other income expanded by 67.2% from ₱565.9 million in 2021 to ₱946.2 million in 2022. The increase is mainly due to the higher processing fees, outward clearing service charges, and pre-termination fees collected during the year.

Non-interest expenses as of December 2022 stood at ₱3,408.2 million, 4.3% higher than the operating expense recorded last year of ₱3,268.1 million. Salaries and other employee benefits remained the largest expense item and posted the highest increase in expenses for the year or 21.3%, while management and other professional fees decreased by 40.6% due to the accruals made in 2021 for the Bank's capital raising activities.

As a result, core income as of end 2022 reached ₱3,085.3 million, or 10.4% higher year-over-year (YoY).

	For the calendar period ended				
	12/31/2022	12/31/2021	Variance	%	
Core income	₱ 3,085,346,510	₱ 2,794,222,635	₱ 291,123,875	10.4	
Trading gains (losses)	(402,252,951)	(253,969,915)	(148,283,036)	58.4	
Pre-tax pre-provision profit	₱ 2,683,093,559	₱ 2,540,252,720	₱ 142,840,839	5.6	
Loan loss provision	(820,614,023)	(747,357,300)	(73,256,723)	9.8	
Profit before tax	1,862,479,536	1,792,895,420	69,584,116	3.9	
Taxes	(551,030,042)	(624,727,075)	73,697,033	(11.8)	
Net income	₱ 1,311,449,494	₱ 1,168,168,345	₱ 143,281,149	12.3	

The Bank's trading activities this year were affected by inflation concerns that pushed yields higher both for peso and dollar denominated instruments resulting in a ₱402.3 million trading loss as of December 2022. This brought the pre-tax pre-provision profit to ₱2,683.1 million from ₱2,540.3 million in the same period last year.

PBB set aside a total of ₱820.6 million in provision for loan losses. Total loan loss reserves as of end 2022 amounted to ₱5.0 billion, covering 88.9% of the Bank's non-performing loans.

As a result, net income for full year 2022 amounted to ₱1,311.4 million, up 12.3%.

Financial position

December 31, 2024 vs December 31, 2023

PBB's total assets stood at ₱168.0 billion as of year-end 2024 due to the increases in loans and other receivables and investment properties.

Cash and other cash items decreased by 10.6% from ₱1.3 billion to ₱1.2 billion. Both due from BSP and due from other banks were lower by 36.0% and 2.7% respectively in 2024 as resources were used to fund the Bank's loans and securities requirements.

Total trading and other investment securities went up to ₱25.7 billion from ₱22.0 billion in 2023 as FVPL increased by 50.0% and FVOCI by 4.1%.

Net loans and other receivables expanded by 9.1% or ₱10.7 billion amid sustained market demand for financing. As a result, PBB reached ₱128.3 billion net loan portfolio as of end 2024 from ₱117.6 billion last year.

Bank premises, furniture, fixture, and equipment went up by 12.3% as additional right-of-use assets were recorded during the year. Investment properties grew from ₱1,415.4 million last year to ₱2,027.4 million in 2024 due to higher ROPA this year.

Deferred tax assets increased to ₱1.8 billion from ₱1.6 billion last year. Other resources increased by 15.9% YoY.

Deposit liabilities expanded by ₱12.4 billion from ₱126.7 billion in 2023 to ₱139.1 billion owing to the increase in both demand and time deposits.

The Bank settled ₱187.5 million of bills payable during the year, ending 2024 at ₱4.6 billion.

Accrued expenses and other liabilities increased by 0.9% from ₱4.93 billion to ₱4.97 billion in 2024.

Equity amounted to ₱19.4 billion as of end 2024, 7.5% higher than last year's figure of ₱18.0 billion. Surplus contributed to the capital growth by ₱1.37 billion, or 16.5%, on account of the recognized appropriation of retained earnings. Book value per share ended at ₱22.89, up 7.5% from ₱21.25 in 2023. 5-year CAGR book value per share, net of preferred shares, stood at 9.0% from ₱16.19 in 2020.

December 31, 2023 vs December 31, 2022

PBB's total assets stood at ₱154.4 billion as of year-end 2023 due to the increases in loans and other receivables and investment properties.

Cash and other cash items increased by 5.5% from ₱1.2 billion to ₱1.3 billion. Both due from BSP and due from other banks were lower in 2023 as resources were used to fund the Bank's loans and securities requirements.

Total trading and other investment securities went up to ₱22.0 billion from ₱14.2 billion in 2022 as FVPL grew 3.1x and FVOCI by 27.2%.

Net loans and other receivables expanded by 13.5% or ₱14.0 billion, as the increase in credit activities gained momentum with the continued economic recovery which resulted in an uptick in market demand for financing. As a result, PBB reached ₱117.6 billion net loan portfolio as of end 2023 from ₱103.5 billion last year.

Bank premises, furniture, fixture, and equipment went up by 23.5% as additional right-of-use assets were recorded during the year. Investment properties grew from ₱1,257.3 million last year to ₱1,415.4 million in 2023 due to higher ROPA this year.

Other resources grew 9.4% YoY following the increase in deferred tax assets of ₱256.0 million.

Deposit liabilities expanded by ₱12.2 billion from ₱114.5 billion in 2022 to ₱126.7 billion owing to the increase in both demand and time deposits.

The Bank availed ₱3.25 billion bills payable during the year, ending 2023 at ₱4.75 billion.

Equity ended at ₱18.0 billion as of December 2023 from ₱14.6 billion in December 2022, up 23.6%. In support of the increase in authorized capital stock, the principal shareholders of PBB subscribed to ₱1.25 billion of common stock, equivalent to 25% of the ₱5.0 billion increase in

authorized capital stock. On January 10, 2023, the principal shareholders fully paid the balance of their subscription in the increase in authorized capital stock. PBB also raised ₱500.00 million, priced at ₱10.00, from its stock rights offering; the SRO shares were listed on the PSE on March 31, 2023. The private placement and the stock rights offer collectively resulted in a capital raise of ₱1.8 billion.

December 31, 2022 vs December 31, 2021

PBB's total assets stood at ₱134.6 billion as of year-end 2022 due to the increases in due from other banks, loans and other receivables, and investment properties.

Cash and other cash items decreased by 12.8% from ₱1.4 billion to ₱1.2 billion. Due from BSP was also lower in 2022 as resources were used to fund the Bank's loan requirements while due from other banks increased by 50.1% due to increase in placements to local and foreign banks.

Total trading and other investment securities went down to ₱14.2 billion from ₱15.4 billion in 2021 as FVPL and FVOCI both declined by 10.5% and 9.8%.

Net loans and other receivables expanded by 12.9% or ₱11.9 billion, due to the increase in credit activities gaining momentum with the continued economic recovery and the resulting uptick in market demand for financing. This resulted to PBB reaching ₱103.5 billion net loan portfolio as of end 2022 from ₱91.7 million last year.

Bank premises, furniture, fixture, and equipment went up by 13.9% as additional right-of-use assets were recorded during the year. Investment properties almost doubled from ₱659.7 million last year to ₱1.3 billion in 2022 due to higher ROPA this year. Investment properties still subject to redemption by the borrowers based on the prescribed redemption period by the relevant law amounted to ₱526.0 million and ₱172.2 million as of December 2022 and December 2021, respectively.

Other resources grew 12.0% YoY following the increase in deferred tax assets of ₱214.5 million and prepaid expenses of ₱53.6 million.

Deposit liabilities expanded by ₱2.1 billion from ₱112.4 billion in 2021 to ₱114.5 billion owing to the increase in time deposits 26.1% YoY.

The Bank pre-paid its ₱3.0 billion corporate notes payable last January 2022 and availed ₱1.5 billion bills payable during the year.

Other liabilities expanded by 83.1% due to the increases in bills purchase, outstanding acceptances, and manager's checks.

Equity ended at ₱14.6 billion as of December 2022 from ₱14.5 billion in December 2021, up 0.8%. In support of the increase in authorized capital stock, the principal shareholders of PBB subscribed to ₱1.25 billion of common stock, equivalent to 25% of the ₱5.0 billion increase in authorized capital stock. On January 10, 2023, the principal shareholders fully paid the balance of their subscription in the increase in authorized capital stock. PBB also raised ₱500.00 million, priced at ₱10.00, from its stock rights offering; the SRO shares were listed on the PSE on March 31, 2023.

The private placement and the stock rights offer collectively resulted in a capital raise of ₱1.75 billion.

B. Key Performance Indicators

CAR: Capital Adequacy Ratio was at 12.66%, higher than BSP's minimum requirement of 10.0%.

Asset Quality: The Bank's non-performing loans ratio reached 5.67% this year.

Profitability: Return on Average Equity (ROAE) decreased from 11.19% in 2023 to 9.54% as of December 2024 due to the lower net income recorded this year.

Liquidity: The Bank's loans-to-deposits ratio (BSP formula) as of December 31, 2023 was 92.22%.

Asset efficiency: Return on Average Assets (ROAA) declined by 15 bps to 1.11 % in December 2024.

Book value per share as of December 31, 2024 was at ₱22.89 from ₱21.25 in the same period in 2023. The Bank's book value per share, net of preferred shares, achieved a 5-year CAGR of 9.0% from ₱16.19 in 2020.

The following table shows the key performance indicators for the past three (3) calendar years ending December 31, 2024 (in %):

Performance Indicators, <i>in Php mn</i>	2022	2023	2024
Return on assets (%)	0.97	1.18	1.06
Net income	1,311	1,825	1,825
Total assets	134,550	154,414	154,414
Return on equity (%)	9.00	10.13	9.20
Net income	1,311	1,824	1,782
Total equity	14,576	18,014	19,360
Capital adequacy ratio (%)	13.85	13.15	12.66
Total qualifying capital	15,603	16,701	18,099
Risk weighted assets	112,620	127,032	142,929
Loans-to-deposit ratio (%)	90.41	92.78	92.22
Loans and other receivables – net	103,542	117,564	128,272
Deposit liabilities	114,526	126,719	139,094
NPL ratio (%)	5.37	5.70	5.67
Non-performing loans	5,615	6,674	7,475
Gross loans	104,561	117,175	131,902
Book value per share	17.05	21.25	22.89
Equity – net of preferred shares	13,956	17,395	18,740
Number of shares	819	819	819

Critical Accounting Policies

For information on the Bank's significant accounting judgments and estimates, please refer to Notes 2 and 3 of the Bank's financial statements included as attachment of SEC 17-A.

Description of Comprehensive Statement of Income

Revenues

Interest Income. Interest income is interest generated from PBB's loans and receivables. The Bank also generates interest income from amounts due from other banks, investment securities, and securities purchased under resale agreements.

Interest Expense. Interest expense refers to interest paid or accrued on deposits, bills payable, and other fund borrowings.

Net Interest Income. Net interest income is equal to interest income after deducting interest expense.

Impairment Losses. Impairment losses refer to estimated losses in the Bank's loan portfolio, investment securities, investment properties, and other risk assets.

Other Income

Trading gains – net. This line item comprises results arising from trading activities which include gains and losses from changes in fair value of financial assets held for trading as well as gains from the sale of trading and investment securities.

Services charges, fees, and commissions. The Bank earns service charges, fees and commissions from various financial services it provides to its customers. These fees include investment fund fees, custodian fees, commission income, credit related fees, asset management fees, portfolio and advisory fees.

Miscellaneous Income. Miscellaneous income also comprises foreign exchange gain, gain on asset foreclosures and dacion transactions, trust fees, gain on sale of assets, and miscellaneous items.

Other Expenses

Other expenses are the Bank's general and administrative expenses composed primarily of salaries and employee benefits, taxes and licenses, rent and fees, depreciation and amortization and other operating costs.

Tax Expense

Tax expense relates mainly to the corporate income tax payable by the Bank which is composed of a 2% minimum corporate income tax (MCIT) and a regular income tax of 30%. By virtue of the CREATE Act, the corporate income tax rate was reduced from 30% to 25% beginning July 1, 2020 and the MCIT on the gross income to be imposed is at a reduced rate of 1%. The Bank is also subject to final taxes of 7.5% (on the Bank's FCDU deposits with other institutions), 10% (on onshore income from FCDU transactions), and 20% (final withholding tax on tax-paid

income).

Discussions on Key Variable and Other Qualitative and Quantitative Factors

Vertical and Horizontal Analysis

Financial Condition as of December 2024 vs December 2023:

The Bank's total balance sheet size as of 2024 stood at ₱168.0 billion, up 8.8% versus 2023's ₱154.4 billion. Significant changes (more than 5%) in assets were registered in the following accounts:

- Total trading and other investment securities went up by 16.7% to ₱25.7 billion from ₱22.0 billion in 2023 driven by increases in FVPL and FVOCI.
- Cash and other cash items decreased by 10.6% or ₱139.0 million in 2024.
- Due from BSP and due from other banks also declined by 36.0% and 2.7%, or ₱1.6 billion and ₱113.8 million, respectively.
- Net loans and other receivables expanded by 9.1% or ₱10.7 billion due to the increased lending activities during the year.
- BPPFE went up by 12.3% as additional right-of-use assets were recorded during the year.
- Investment properties grew by 43.2% or ₱612.0 million due to higher ROPA this year.

PBB's total liabilities also increased to ₱148.6 billion or 9.0% from ₱136.4 billion last year.

- Deposit liabilities expanded by 9.8% or ₱12.4 billion owing to the increase in both demand and time deposits.
- Accrued expenses and other liabilities declined by 7.0% or ₱346.2 million this year.

Equity amounted to ₱19.4 billion as of end 2024, 7.5% higher than last year's figure of ₱18.0 billion. Surplus contributed to the capital growth by ₱1.37 billion, or 16.5%, on account of the recognized appropriation of retained earnings.

Financial Condition as of December 2023 vs December 2022:

The Bank's total balance sheet size as of 2023 stood at ₱154.4 billion, up 14.8% versus 2022's ₱134.6 billion. Significant changes (more than 5%) in assets were registered in the following accounts:

- Trading and investment securities rose by 55.6% as FVPL and FVOCI portfolios increased by ₱4.6 billion and ₱2.9 billion, respectively

- Loans and other receivables grew by 13.5%, or ₱14.0 billion, due to the increase in lending activities during the year

PBB's total liabilities also increased to ₱136.4 billion or 13.7% from ₱120.0 billion in 2022.

- Deposit liabilities expanded by 10.6% as demand and time deposits increased to ₱52.7 billion and ₱58.4 billion, respectively.

Shareholder's equity ended at ₱18.0 billion as of December 2023 from ₱14.6 billion in December 2022, up 23.6%. In support of the increase in authorized capital stock, the principal shareholders of PBB subscribed to ₱1.25 billion of common stock, equivalent to 25% of the ₱5.0 billion increase in authorized capital stock. On January 10, 2023, the principal shareholders fully paid the balance of their subscription in the increase in authorized capital stock. PBB also raised ₱500.00 million, priced at ₱10.00, from its stock rights offering; the SRO shares were listed on the PSE on March 31, 2023. The private placement and the stock rights offer collectively resulted in a capital raise of ₱1.75 billion.

As a result, book value per share increased to ₱21.25 in 2023 from ₱17.05 in 2022.

Financial Condition as of December 2022 vs December 2021:

The Bank's total balance sheet size as of 2022 stood at ₱134.6 billion, up 1.9% versus 2021's ₱132.0 billion. Significant changes (more than 5%) in assets were registered in the following accounts:

- Cash and other cash equivalent decreased by 12.8% or ₱182.8 million
- Due from BSP also declined to ₱6.1 billion from ₱16.8 billion as PBB used its resources to fund its loan requirements
- Due from other banks went up to ₱5.2 billion due to the increase in placements to local and foreign banks
- Trading and investment securities declined by 7.7% as FVPL and FVOCI portfolios decreased by ₱260.2 million and ₱1.2 billion, respectively
- Loans and other receivables grew by 12.9%, or ₱11.9 million, due to the increase in lending activities during the year
- BPPFE also expanded by 13.9% due to the additional right-of-use assets were recorded during the year
- Investment properties increased by 90.6% due to higher ROPA additions this year
- Other resources also grew by 12.0% as deferred tax assets increased by ₱214.5 million

PBB's total liabilities also increased to ₱120.0 billion or 2.0% from ₱117.6 billion in 2021.

- Deposit liabilities expanded by 1.9% as time deposits increased to ₱52.5 billion from ₱41.6

billion last year

- Accrued expenses and other liabilities were up by 83.1% due to the increases in bills purchase, outstanding acceptances, and manager's checks

Shareholder's equity stood at ₱14.6 billion as of year-end 2022, up 0.8% from December 2021's figure of ₱14.5 billion. In support of the increase in authorized capital stock, the principal shareholders of PBB subscribed to ₱1.25 billion of common stock, equivalent to 25% of the ₱5.0 billion increase in authorized capital stock. On January 10, 2023, the principal shareholders fully paid the balance of their subscription in the increase in authorized capital stock. PBB also raised ₱500.00 million, priced at ₱10.00, from its stock rights offering; the SRO shares were listed on the PSE on March 31, 2023. The private placement and the stock rights offer collectively resulted in a capital raise of ₱1.75 billion.

As a result, book value per share increased to ₱21.68 in 2022 from ₱21.50 in 2021.

Results of Operations

For the year ended December 31, 2024 vs. December 31, 2023

- Total interest income was 14.4% higher in 2024 versus 2023 due to the increases in interest income on loans and other receivables and trading and investment securities of ₱1,090.7 million and ₱390.9 million, respectively.
- Overall interest expense also increased by 38.0% driven by the growth of interest expense on deposit liabilities. This increase brought net interest income to ₱6,664.5 million, up 3.8% YoY.
- Non-interest income increased by 22.6% from year end 2024 due to gains on revaluation from foreign currency holdings. Non-interest expense also grew from ₱4,009.2 million to ₱4,071.6 million owing to the increases in salaries and other employee benefits and taxes and licenses.
- The Bank's core income, composed of net interest income, fee-based income, and non-interest expenses, exclusive of trading gains, grew to ₱3,442.1 million.
- However, PBB accrued a ₱87.6 million trading loss which brought pre-tax pre-provision profit down to ₱3,354.5 million by year end 2024 from ₱3,392.8 last year.
- PBB continued to set aside a portion of its income for impairment losses amounting to ₱958.4 million, down 9.4% versus last year.
- As a result, net income for the period stood at ₱1,782.1 million from ₱1,824.0 million in 2023, down 2.3%.

For the year ended December 31, 2023 vs. December 31, 2022

- Total interest income was 41.3% higher in 2023 versus 2022 due to the increases in interest income on loans and other receivables and trading and investment securities of ₱2,437.7

million and ₱174.7 million, respectively.

- Overall interest expense also increased by 2.8x driven by the growth of interest expense on deposit liabilities. This increase brought net interest income to ₱6,421.4 million, up 15.8% YoY.
- Non-interest income decreased by 26.8% from year end 2022 due to the one-time gained on loan pre-payment in 2022. Non-interest expense also grew from ₱3,408.2 million to ₱4,009.2 million owing to the increases in salaries and other employee benefits and taxes and licenses.
- The Bank's core income, composed of net interest income, fee-based income, and non-interest expenses, exclusive of trading gains, grew to ₱3,105.0 million.
- PBB earned ₱287.8 million trading gain which brought pre-tax pre-provision profit to ₱3,392.8 million by year end 2023.
- PBB continued to set aside a portion of its income for impairment losses amounting to ₱1,053.4 million, up 28.4% versus last year.
- As a result, net income stood at ₱1,824.9 million from ₱1,311.4 million in 2022, up 39.2%.

For the year ended December 31, 2022 vs. December 31, 2021

- Total interest income was 3.9% higher in 2022 versus 2021 due to the increases in interest income on loans and other receivables and trading and investment securities of ₱137.9 million and ₱93.9 million, respectively.
- Overall interest expense also increased by 23.1% driven by the growth of interest expense on deposit liabilities. This increase brought net interest income to ₱5,547.4 million, up 0.9% YoY.
- Non-interest income increased by 67.2% from year end 2021 due to the increases in processing fee and service charges on outward clearing collected during the year. Non-interest expense also grew from ₱3,268.1 million to ₱3,408.2 million owing to the increases in salaries and other employee benefits and taxes and licenses.
- The Bank's core income, composed of net interest income, fee-based income, and non-interest expenses, exclusive of trading gains, grew by 10.4% to ₱3,085.3 million.
- PBB incurred a ₱402.3 million trading loss which brought pre-tax pre-provision profit to ₱2,683.1 million by year end 2022.
- PBB continued to set aside a portion of its income for impairment losses amounting to ₱820.6 million, up 9.8% versus last year.
- As a result, net income stood at ₱1,311.4 million from ₱1,168.2 million in 2021, up 12.3%.

Cash Flows

The following table sets forth selected information from PBB's statements of cash flows for the periods indicated:

	For period ended December 31		
	2022	2023	2024
Cash and cash equivalents, beginning of the year	24,289.61	15,076.19	15,047.08
Net cash provided by (used in) operating activities	(7,333.02)	(1,283.41)	(4,532.36)
Net cash provided by (used in) investing activities	(428.47)	(2,941.09)	(429.85)
Net cash provided by (used in) financing activities	(1,451.93)	4,195.39	(771.15)
Net increase (decrease) in cash and cash equivalents	(9,213.42)	(29.11)	(5,733.67)
Cash and cash equivalents, end of the year	15,076.19	15,047.08	9,313.41

Net Cash Flow Provided By (Used In) Operating Activities

Net cash flow provided by operating activities is composed of deposits generated, loans and receivables, and interest income. As of December 31, 2024, net cash used in operating activities amounted to a negative ₱5,733.7 million. During this time, the Bank expanded its loans and other receivables by ₱16,827 million while deposits grew by ₱13,092 million. Impairment losses for the year stood at ₱958.4 million. As of the years ended December 31, 2023 and 2022, cash flow from (used in) operating activities was negative ₱1,283.4 million and ₱7,333.0 million, respectively.

Net Cash Flow Provided By (Used In) Investing Activities

Net cash flow provided by or used in investing activities involves the acquisition of investment securities at amortized cost and at FVOCI, bank premises, furniture and fixtures, and software licenses. As of December 31, 2024, net cash used in investing activities amounted to negative ₱429.9 million. Net cash used in investing activities for 2023 and 2022 were negative ₱2,941.1 million and ₱428.5 million, respectively.

Net Cash Flow Provided By (Used In) Financing Activities

Net cash flow provided by financing activities is composed of the availments and settlement of bills payable, corporate notes, cash dividends, and payment of lease liabilities. As of December 31, 2024, PBB recorded a use of cash flow from financing activities of negative ₱771.2 million from positive ₱4,195.4 million in 2023.

Capital Resources

The Bank is required to comply with the capital adequacy requirements based on the requirements for stand-alone thrift banks under BSP's Circular No. 688 issued in May 26, 2010.

The following table sets out details of the Bank's capital resources and capital adequacy ratios (as reported to the BSP).

As of the years ended December 31			
₱ millions	2022	2023	2024
Net Tier 1 capital	14,710	15,557	16,827
Tier 2 capital	893	1,144	1,272
Total qualifying capital	15,603	16,701	18,099
Risk weighted assets	112,620	127,032	142,929
Tier 1 capital ratio	13.06%	12.25%	11.8%
Total capital ratio	13.85%	13.15%	12.7%

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 period ended December 31, 2021 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.

Commitments and Contingent Liabilities

The following is a summary of the Banks commitments and contingent accounts as of December 31, 2024:

Amounts in ₱	2023	2024
Trust and other fiduciary accounts	11,465,533,427	9,970,400,202
Outstanding letters of credit	1,229,113,440	667,520,632
Late payment/deposits received	5,441,887	4,678,643
Items held for safekeeping	70,007	82,893
Items held as collateral	108,581	106,443
Outward bills for collection	1,626,771	3,305,997
Other contingent accounts	2,090,052,393	2,365,909,581

Among the Bank's contingent accounts are the following trust arrangements:

1. Trust and Other Fiduciary Accounts (TOFA) include: Living trust, a trust created during the trustors' lifetime and involves the transfer of funds and other assets to a trustee for management and eventual distribution to intended beneficiaries; employee benefit trust, a trust established by a company for the benefit of its employees in addition to salaries or wages; escrow, a three party arrangement whereby the escrow agent is appointed as a disinterested or neutral party to protect the interest of the two parties to the contract; and other fiduciary arrangements;

The Bank has ₱13.0 billion in contingent accounts of which, ₱10.0 billion or 76.7% are in trust and other fiduciary accounts.

Selected information disclosed in the Audited Financial Statements

Classifying Financial Assets at HTM Investments

In classifying non-derivative financial assets with fixed or determinable payments and fixed maturity, such as bonds, as HTM investments, the Bank evaluates its intention and ability to hold such investments up to maturity. Management has confirmed its intention and determined its ability to hold the investments up to maturity.

If the Bank fails to keep these investments at maturity other than for the allowed specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class to AFS securities. The investments would therefore be measured at fair value and not at amortized cost. However, the tainting provision will not apply if the sales or reclassifications of HTM investments are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value; occur after the Bank has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or are attributable to an isolated event that is beyond the control of the Bank, is nonrecurring and could not have been reasonably anticipated by the Bank. Please see Note 2.5 for the summary of significant accounting policies related to financial instruments.

Management of Liquidity Risks through MCO Limits

Liquidity risk is the risk to income and capital as a result of the Bank's inability to meet its obligations when they come due without incurring unacceptable losses. The Bank manages its liquidity risk through the monitoring of various liquidity ratios, Treasury's weekly and regular assessment of liquidity gaps, and the maturity ladder. A maturity ladder relates the inflows to outflows of funds at selected maturity dates and is constructed to measure liquidity exposure. The ladder shows the Bank's statement of financial position distributed into tenor buckets on the basis of the term to final maturity or cash flow dates, including contingent commitments. The amount of net inflows which equals the difference between the amounts of contractually maturing assets (inflows) and liabilities (outflows) is computed per tenor bucket and on a cumulative basis, incorporating certain behavioral and hypothetical assumptions. The calculated periodic and cumulative gaps constitute the Bank's run off schedule, which indicate the Bank's net funding requirements in local and foreign currency.

To control liquidity gap risks, a quantitative ceiling to the net outflow of funds of the Bank called Maximum Cumulative Outflow (MCO) limit is observed per currency, the assumptions of which are reviewed by the Risk Oversight Committee (ROC) prior to the confirmation by the BOD.

DOSRI Loans under Related Party Transactions

Total outstanding DOSRI loans as of December 31, 2024 and 2023 pertain to loan transactions with its officers and employees and related parties amounting to ₱706.1 million and ₱705.4 million.

Earnings per Share

The Bank's earnings per share (EPS) as of December 31, 2024, 2023, and 2022 were at ₱2.13, ₱2.23, and ₱1.85, respectively. This is computed by dividing the net income (net of preferred dividends) of ₱1,782.1 million, ₱1,820.3 million, and ₱1,311.4 million, by the weighted average number of outstanding common shares.

Item 7. Financial Statements

The audited financial statements of the Bank are filed as part of this for SEC 17-A as "Annex A".

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Punongbayan & Araullo (P&A), a member firm of Grant Thornton International Limited, has been the bank's independent accountant since 2006 and is again recommended for appointment at the scheduled stockholders meeting.

In compliance with SEC Memorandum Circular No. 8, Series of 2003, and Amendments to the SRC Rule 68 on the rotation of external auditors or signing partners of a firm every after five (5) years of engagement, Ms. Maria Isabel E. Comedia was assigned in 2021 as an independent reviewer and partner in charge for the bank replacing Mr. Christopher M. Ferarez.

The Bank has paid the following fees to P&A relative to the regular and special engagements rendered by the latter that are reasonably related to the performance of the audit review of the

Bank's financial statement:

Audit Fees For	In ₱
December 31, 2016	2,599,735.16
December 31, 2017	2,864,643.60
December 31, 2018	5,124,565.44
December 31, 2019	6,851,630.40
December 31, 2020	10,377,360.00
December 31, 2021	8,196,832.00
December 31, 2022	9,556,736.00
December 31, 2023	13,285,236.14
December 31, 2024	7,227,184.26

No other services were rendered by P&A that were not related to the audit and review of the Bank's financial statements occurred in 2022. In addition, there were no disagreements with P&A on the accounting and financial disclosures.

For PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Directors and Executive Officers

The following are the names of the incumbent Directors of the Bank:

Incumbent	Age	Nationality	Position with the Bank	Year of election
Alfredo M. Yao	81	Filipino	Chairman Emeritus	2010
Jeffrey S. Yao	56	Filipino	Chairman	2019
Rolando R. Avante	66	Filipino	Vice Chairman and President / CEO	2019
Leticia M. Yao	71	Filipino	Director	2009
Roberto A. Atendido	77	Filipino	Director	2012
Honorio O. Reyes- Lao	80	Filipino	Director	2010
Benjamin R. Sta. Catalina, Jr.	77	Filipino	Director	2012
Narciso D.L. Eraña	71	Filipino	Independent Director	2018
Atty. Roberto C. Uyquiengco	76	Filipino	Independent Director	2018
Benel D. Lagua	68	Filipino	Independent Director	2021
Asterio L. Favis, Jr.	72	Filipino	Independent Director	2021
Diosdado M. Peralta	73	Filipino	Independent Director	2022

BUSINESS EXPERIENCE

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

Alfredo M. Yao (Filipino, 81 years old)

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

Jeffrey S. Yao (Filipino, 56 years old)

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

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

Mr. Yao graduated from the Ateneo De Manila University with Bachelor of Science in Management Engineering degree.

Committee(s): Executive Committee

Rolando R. Avante (Filipino, 66 years old)

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

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

He was elected the same position at ACI Philippines in 2011.

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

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

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

Leticia M. Yao (Filipino, 71 years old)

Dra. Leticia M. Yao was appointed to the Board in 1998 and last re-elected as Director on July 27, 2022.

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

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

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

Committee(s): IT Steering and Trust

Roberto A. Atendido (Filipino, 77 years old)

Mr. Roberto A. Atendido was appointed to the Board in 2006 and was last re-elected as Director on July 27, 2022.

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

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

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

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

Committee(s): Corporate Governance and Trust

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

Mr. Honorio O. Reyes-Lao was appointed as Director of the Bank in 2010.

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

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

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

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

Benjamin R. Sta. Catalina, Jr. (Filipino, 77 years old)

Mr. Benjamin R. Sta. Catalina, Jr. was appointed Independent Director to the Board on 2012 and last re-elected as Director on July 27, 2022. He first assumed his independent directorship at PBB from 2003 to 2005.

During his early professional years, Mr. Sta. Catalina was the Senior Vice President of the Asset Based Finance Group of FNCB Finance Co. from 1980 to 1981. He later joined Citibank N.A. from 1981 to 1995 where he has served as Asst. Vice President & Division Head for the Public Sector Division, then became the Vice President and Asst. Director of the Asia Pacific Training Center. He later handled the Middle East Africa Division Training Center as Vice President and

Associate Director, and handled the World Corporation Group for Middle East Africa, Division Training Center as Regional Administrator. He was appointed as General Manager from 1988 to 1992 handling the Center for International Banking Studies. In 1993 to 1994, Mr. Sta. Catalina was appointed Vice President and Chief of Staff of the Global Finance Marketing, then rose to Group Head where he handled the Pan Asian Corporate Team in 1994 to 1995.

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

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

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

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

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

Narciso DL. Eraña (Filipino, 71 years old)

Mr. Narciso DL. Eraña was appointed Independent Director to the Board in 2018.

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

He started his career with Bank of America-Manila handling credit and trade finance for the mining industry, pharmaceuticals, and small medium scale businesses. He moved into the bank's Treasury Department and eventually became Bank of America's youngest Country Treasurer, handling the overall Treasury Trading and Management functions. This served as the foundation for the rest of

his Finance career which focused on Treasury management in multinational and local institutions, from savings banks and unibanks.

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

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

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

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

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

Roberto C. Uyquiengco (Filipino, 76 years old)

Mr. Roberto C. Uyquiengco was appointed to the Board as Independent Director in 2018.

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

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

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

Mr. Uyquiengco is both a lawyer and a Certified Public Accountant by profession. He obtained his undergraduate degree from La Salle College, Bacolod City in 1970 with a degree in BS in Commerce Major in Accounting (graduating cum laude) and passed the CPA board in the same

year. Thereafter, in 1975, he took up his Bachelor of Laws degree from the University of Negros Occidental-Recoletos, Bacolod City, graduating in 1980 and passing the bar examinations also in the same year. He also took up the advance Bank Management Program of the Asian Institute of Management from August to October 1993 and was awarded with the Highest Honor for superior performance among the forty (40) participants from various international banks.

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

Benel D. Lagua (Filipino, 66 years old)

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

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

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

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

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

Mr. Asterio “Boy” L. Favis, Jr. has been in the finance industry for about thirty (30) years, particularly in treasury banking.

Presently, he is an Independent Director of Makati Finance Corporation, as a Consultant of Amalgamated Investment Bancorporation and the Ateneo-BAP Institute of Banking and a Director/Vice President of Aspirations International, Inc. (a Toby’s Sports franchise). He started his treasury banking career with PCI Bank, first as Assistant Vice President and Head of Foreign

Exchange, then as Vice President and Head of Domestic Money Market (from 1986 to 1989), and lastly as Vice President under the Office of the President (seconded to PCI Capital in charge of fixed income securities, from 1989 to 1990). From 1990 to 1999, he headed the Treasury Division of Asianbank Corporation then moved to AB Capital & Investment Corporation from 1999 to 2002, leading the Financial Markets Division as Senior Vice President. Later on, he headed the Treasury Division of Philippine National Bank as Executive Vice President, from 2002 to 2007. His last stint with the banking industry was with Sterling Bank of Asia as Executive Vice President & Head of Treasury Group from 2007 to 2009 and lastly as Executive Vice President under the Office of the President from 2009 to 2013 (including one-year as OIC of Consumer Lending Group).

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

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

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

Diosdado M. Peralta (Filipino, 73 years old)

Mr. Peralta was appointed as the 26th Chief Justice of the Supreme Court of the Philippines from October 23, 2019 until his retirement on March 27, 2021.

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

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

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

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

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

Committee(s): Corporate Governance and Related Party Transaction

b. Executive Officers

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

Rolando R. Avante (Filipino, 66 years old)

(Please refer to the previous section for Mr. Avante's professional experience).

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

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

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

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

Arlon B. Reyes (Filipino, 51 years old)

Mr. Reyes is Head of Commercial Banking Group. He has over 20 years of professional experience gained from international and local financial institutions. He is proficient in global

capital financing, mergers and acquisitions, loan syndication, structured finance, derivatives and treasury products, trade finance, credit & lending, and traditional commercial banking products. He is adept at financial crime management and anti-money laundering having attended intensive training and workshops on this field in an international bank setting.

His employment background includes a stint as Global Relationship Banker for Global Banking & Markets, with the rank of Senior Vice President with The Hongkong and Shanghai Banking Corporation Limited; Head of Rizal Commercial Banking Corporation's (RCBC) National Corporate Banking Group's Large Corporate Segment. He was the Head for China Desk and Foreign Branches Business Development serving concurrently as Team Leader and Relationship Manager for the Conglomerates Division of the Metropolitan Bank and Trust Co. Aside from banking, Mr. Reyes worked for the Philippine Stock Exchange's Business Development Group where he was instrumental in the creation and establishment of the Small and Medium Enterprise (SME) Capital Market or SME Board.

Mr. Reyes graduated from the University of the Philippines – Diliman in 1994 with a degree in BS Economics. He secured his Masters of Business Administration from the same university in 2001.

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

Nancy L. Soriano (Filipino, 46 years old)

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

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

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

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

Committee(s): Employee Discipline and Management

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

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

She has her 30 years of banking experience handling various functions such as Credit Review, Treasury Trading and Liquidity and Reserve Management, Correspondent Banking, Corporate Planning, Investor Relations, and Special Projects under Strategic Planning. She started her

banking career with RCBC Unibank and was seconded to RCBC Savings as CRO in September 2007 up to 2019 when the merger of the savings and unibank happened. Her last post is as Head of Special Initiatives under the unibank's ERMG.

As the CRO, and together with the bank's Risk Oversight Committee of the Board, she built RCBC Savings' risk and control infrastructure. She was the overall lead in identifying and measuring risks inherent in the bank's portfolio, and made sure that provisioning is kept to a minimum level by proactively working on the portfolio credit review, credit scoring and other initiatives to manage the bank's portfolio quality. She defined and disseminated the bank's risk philosophy and policies, and assisted risk-taking business and operating units in understanding, measuring and mitigating risk points. She put in place the bank's Risk Management Framework and Manual, Treasury Manual, Liquidity Contingency Funding Plan, and various risk operating policies and procedures. She also developed the strategic and operational framework for Business Continuity, including the enterprise Business Continuity Plan, Business Impact Analysis, Crisis Communication Plan, Pandemic Plan, Call Tree Testing, Table Top Discussion, and Disaster Recovery Plan testing.

Ms. Malou has a Bachelor of Science degree in Mathematics from University of the Philippines – Diliman in 1988. She also earned academic credits for a Master of Science degree in Mathematics from the same school.

Committee(s): Capital Planning and Management

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

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

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

Ms. Yao finished her BS Accountancy degree at De La Salle University.

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

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

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

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

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

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

Committee(s): Management and Trust

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

Atty. Serge joined PBB as Chief Compliance Officer with the rank of First Vice President. He has over 30 years of experience from the financial industry where he worked with insurance companies and banks, starting with Great Pacific Life Assurance Corporation, Philam Plans Inc, and then with BDO Universal Bank where he was also seconded to BDO Leasing & Finance Inc. as Head of Legal, Compliance & AML Compliance with the rank of Assistant Vice President.

Atty. Serge moved to First Metro Investment Corporation (part of Metrobank Group) in September 2012 as Deputy Chief Compliance Officer with the rank of Assistant Vice President. In June 2016, he was promoted to Vice President and was designated as Chief Compliance Officer, Chief AML Officer, and Data Privacy Officer. As CCO, he was over-all in-charge of formulating and implementing policies and procedures for the general operations of the company's Compliance Program, including those in subsidiary units. He regularly reported to the Board, through the Corporate Governance Committee, the level of regulatory compliance of the organization and its subsidiaries. He also monitored and coordinated compliance activities of other companies within the group.

Atty. Serge is a Law professor at De La Salle University, Far Eastern University, University of the East, and Manila Law College. He is a regular lecturer in the Mandatory Continuing Legal Education (MCLE) of Chan Robles, Access MCLE and UP Institute of Judicial Administration. He is also a bar reviewer on Commercial Law. He is an active member of Association of Bank Compliance Officers (ABCOM) and is well-regarded in the industry.

He has a Bachelor's degree in Political Science and Bachelor of Laws degree from Far Eastern University. He is a candidate in Master of Laws from San Beda College-Graduate School of Law.

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

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

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

He started his banking career in 1999 at Chinabank as a senior trader; 2002 at Standard Chartered Bank under investment relations. He continued his career at BDO under the Business

Development Dept. in 2003. In 2006 he was promoted to Head of the Trust Marketing Dept. at RCBC. He shifted to private banking of Export Bank in 2007 as its Group Head. In 2010, Carlos transferred to PNB as a Branch Head with an AVP rank; Area Head/SAVP; Region Head/FVP; and eventually became the Deputy Head of the International Banking and Remittance Group with an FVP rank in 2023.

He obtained his degree in Business Management & Entrepreneurship from San Beda University in 1998 and pursued his Masters in Business Administration at the Ateneo Graduate School of Business. In 2022 – 2023, he finished his Management Development Program at the Asian Institute of Management.

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

Rodel P. Geneblazo (Filipino, 53 years old)

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

A seasoned banker, he has more than 20 years of experience in consumer finance and credit cycle management. He started his banking career at PCI Bank from 1996 to 2000 as Management Development Program Trainee and rose to Head the Consumer Finance Unit in General Santos City. He joined Chinatrust Bank from 2000 to 2008 and held the positions of Head of Mortgage Loans, Head of Product Development, and Head of Credit Policy & MIS. He went to East West Bank in 2008 to 2010 as Head of Credit Services.

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

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

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

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

Miami V. Torres (Filipino, 62 years old)

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

Vice President.

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

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

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

Benley B. Uy (Filipino, 45 years old)

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

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

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

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

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

He attained a certification on the Leadership and Management Development Program (LMDP)

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

Committee(s): IT Steering and Management

Joseph Jeeben Segui (Filipino, 37 years old)

Mr. Joseph Jeeben R. Segui joined PBB in 2024 as Head of Corporate Planning, Corporate Finance, and the Bank's Investor Relations Officer with the rank of First Vice President. He is an investment professional with over ten years of investment banking, mergers and acquisitions, and business development experience.

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

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

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

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

Marily M. Cabuco (Filipino, 57 years old)

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

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

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

Committees: Bid, Employee Discipline, and Management

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

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

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

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

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

Judith C. Songlingco (Filipino, 53 years old)

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

Ms. Songlingco began her career with Far East Bank & Trust Co. in December 1992 as a credit analyst under the Retail Banking Group before moving to the Branch Banking Group as a marketing trader. She later pursued her career in the academe where she taught sophomore, junior and senior college students Marketing Management, Product Development and Advertising & Promotions subjects at the De La Salle University –Dasmariñas, where she also was appointed the Junior Marketing Association (JMA) coordinator of the university. In 1999, she shifted back to the banking industry as a Product Development Officer at Maybank Phil. Inc. under the Consumer Banking Division developing the deposit and loan products, promotional campaigns and was tasked to handle the Customer Service Department and the Consumer Sales Department as a lecturer and speaker. She joined East West Bank in 2004 as the Head of Marketing where she handled product development, had the opportunity to launch promotional campaigns, host events and implement advertising and promotions. In 2008, she moved to Robinsons Bank as the Marketing Support Services Group Head. Ms. Songlingco managed communications for the bank, including public relations, speech writing, advertising and promotions. She also handled corporate events and new product development and enhancement.

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

Department of UPMC and handled media relations.

Ms. Songlingco is an active Bank Marketing Association of the Philippines (BMAP) member. This is her third term as a BMAP Director and is the association's Auditor. She was elected Director of Membership in 2019 and Director for Programs and Ways and Means in 2018.

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

Committee(s): Management

Larry F. Escarilla (Filipino, 59 years old)

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

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

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

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

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

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

Vanessa A. Chua (Filipino, 39 years old)

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

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

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

2022, she advanced to Assistant Vice President.

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

Committee(s): Asset and Liability Management and Management

John Paul V. Sanguyo (Filipino, 40 years old)

Mr. John Paul V. Sanguyo joined PBB in 2023 as the Region Head for the Central Metro Manila Region, holding the rank of Senior Manager. In 2024, he was promoted to Assistant Vice President and Head of the Retail Sales Group.

Mr. Sanguyo began his banking career in 2007 as a Branch Accountant and junior assistant manager at BDO Unibank, Savemore, Amang Rodriguez Branch. He worked at East West Bank from 2013 to 2014 as a Service Head, holding the rank of Assistant Manager. From 2014 to 2017, he served as the Branch Channel Manager at Security Bank, overseeing the McKinley Hill Branch and the BGC St. Luke's Medical Center Branch.

Before joining PBB, he was the Branch Head and Manager at PNB, Cainta San Isidro Branch, from 2017 to 2023. He briefly held the position of Branch Head and Senior Manager at PNB's Pasig Tiendesitas Branch from January to October 2023.

Mr. Sanguyo earned his Bachelor of Science degree in Business Administration, majoring in E-Marketing, from the Association of Business Executives (ABE) College.

Identify Significant Employees

Although PBB has relied on and will continue to rely on the individual and collective contributions of each of its executive officers, senior operational personnel and non-executive employees, PBB believes that it does not depend on the services of a particular employee and that there is no employee that the resignation or loss of whom would have a material adverse impact on its business.

Family Relationships

Ambassador Alfredo M. Yao and Leticia M. Yao are siblings.

Jeffrey S. Yao is the son of Ambassador Alfredo M. Yao.

Liza Jane T. Yao and Jeffrey S. Yao are spouses.

Other than the foregoing, there are no family relationships either by consanguinity or affinity up to the fourth civil degree among directors, executive officers, and nominees for election as directors.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Bank have been involved in any legal proceedings during the past five (5) years, including without limitation being the subject of any:

1. Bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior to that time;
2. Conviction by a final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. Order, judgment or decree not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities commodities or banking activities; and
4. Order or judgment of a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization finding him/her to have violated a securities or commodities law or regulation.

Item 10. Executive Compensation

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

In ₱ millions		Aggregate Compensation Paid as a Group		
NAME	POSITION	2022	2023	2024
CEO and the four (4) most highly compensated officers (for the year 2024) of the Bank namely: Rolando R. Avante Joseph Edwin S. Cabalde Arlon B. Reyes Benley B. Uy Dulce Gidget R. Salud	Vice Chairman / President & CEO EVP - Treasurer EVP - Head of Commercial Banking Group FVP - Head of Information Technology Group SVP- Head of Financial Sales & Distribution Center	35.71	37.34	35.55

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

Compensation of Directors

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

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

Employment Contracts and Termination of Employment and Change-in-Control Arrangements.

PBB has executed pro-forma employment contracts with its staff and officers. These contracts basically specify the scope of services expected from these individuals and the compensation that they shall receive.

There are no arrangements for compensation to be received by these named executive officers from the Bank in the event of a change in control of the Bank.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

The following persons own at least five per cent (5%) of the Bank's outstanding common shares as of December 31, 2024:

Title of Class	Name, Address of Record Owners and relationship with the issuer	Name of Beneficial Owner and relationship with record owner	Citizenship	No. of shares held	Per cent of class
Common	Alfredo M. Yao 84 Dapitan St. corner Banawe St. Sta. Mesa Heights, Quezon City Stockholder	The record owner is the beneficial owner of the shares indicated	Filipino	295,641,381	36.10%
Common	Zest-O Corporation 574 EDSA Caloocan City Stockholder	The record owner is the beneficial owner of the shares indicated	Filipino	222,262,822	27.15%
Total Common Shares				517,904,203	63.25%

On November 16, 2012, the SEC approved PBB's application for the amendment of its articles of incorporation to increase its authorized capital stock from ₱3.0 billion to ₱10.0 billion and for a

decrease in par value from ₱100.0 to ₱10.0.

On April 20, 2022, the Board of Directors approved the increase of PBB's authorized capital stock to ₱15.0 billion from ₱10.0 billion, approved by the BSP on November 28, 2022 and the SEC on January 19, 2023. PBB is increasing its authorized capital stock with the intention of raising capital via stock rights offering which will greatly expand the Bank's capability to develop more businesses and harness opportunities in the financial services space. The increase will enable PBB to meet the growing demands of the banking business.

In support of the increase in authorized capital stock, the principal shareholders of PBB subscribed to ₱1.25 billion of common stock, equivalent to 25% of the ₱5.0 billion increase in authorized capital stock. On January 10, 2023, the principal shareholders fully paid the balance of their subscription in the increase in authorized capital stock. PBB also raised ₱500.00 million, priced at ₱10.00, from its stock rights offering; the SRO shares were listed on the PSE on March 31, 2023. The private placement and the stock rights offer collectively resulted in a capital raise of ₱1.75 billion.

Security Ownership of Management

The following directors and executive officers of the Company directly own approximately 1.24% percent of the Company's issued and outstanding common stock as of December 31, 2024 as follows:

Name of Director	Nationality	Present Position	No. of Shares	Class
Jeffrey S. Yao	Filipino	Chairman	8,304,538	Common
Rolando R. Avante	Filipino	Vice Chairman and President / CEO	5,572,922	Common
Honorio O. Reyes-Lao	Filipino	Director	84,374	Common
Leticia M. Yao	Filipino	Director	4,847,505	Common
Roberto A. Atendido	Filipino	Director	18,750	Common
Benjamin R. Sta. Catalina	Filipino	Independent Director	56,359	Common
Narciso D.L. Eraña	Filipino	Independent Director	100	Common
Atty. Roberto C. Uyquiengco	Filipino	Independent Director	1,000	Common
Asterio L. Favis, Jr.	Filipino	Independent Director	100	Common
Benel D. Laguna	Filipino	Independent Director	5,100	Common
Diosdado M. Peralta	Filipino	Independent Director	63,121	Common
Rolando G. Alvendia	Filipino	General Accounting Center Head	284,371	Common
Miami V. Torres	Filipino	Credit Management Group Head	7,500	Common
Enrico T. Teodoro	Filipino	System Support and Application Development Center Head	2,277	Common
Judith C. Songlingco	Filipino	Corporate Affairs Head	2,000	Common
Joseph Edwin S. Cabalde	Filipino	Treasurer	14	Common

Atty. Roberto Santos	Filipino	Corporate Secretary	71,625	Common
----------------------	----------	---------------------	--------	--------

The aggregate shareholdings of the Bank's Directors and Officers as a group is 2.35% with a total of 19,321,656 number of shares.

Voting Trust Holders of 5% Or More

The Bank is unaware of any person holding more than five per cent (5%) of shares under a voting trust or similar agreement.

Changes in Control

There have been no arrangements that have resulted in a change of control of the Bank during the period covered by this report.

Item 12. Certain Relationships and Related Transactions

The Bank's related parties include entities under common ownership, key management and others as described below.

	2023		2024	
	Transaction	Balance	Transaction	Balance
Key management personnel				
Compensation	201,157,223	-	204,492,348	-
Deposit liabilities	19,223,919	51,296,569	(19,159,023)	32,137,546
Loans	2,228,034	12,085,072	-	-
Interest expense	940,530	-	1,120,021	-
Interest income	22,452	621,933	-	-
Other related parties:				
Deposit liabilities	1,650,334,423	10,122,008,064	1,436,234,668	1,543,748,425
Loans	203,786,764	941,392,837	722,434,223	-
Interest expense	150,996,293	-	24,020,317	218,958,614
Interest income	16,564,602	-	4,019,239	-
Retirement Fund				
Contribution	47,094,485	-	46,743,054	-
Plan Assets	22,145,491	328,919,847	36,191,672	365,111,519

i. DOSRI Deposits

The total balance of DOSRI deposits is inclusive of the corresponding related accrued interest included in the financial statements as of December 31, 2022 and 2023.

Deposit liabilities transactions with related parties have similar terms with other counterparties (see Note 16).

ii. DOSRI Loans

The Bank has loan transactions with its officers and employees. Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

The General Banking Act of the BSP provides that in aggregate, loans to DOSRI generally should not exceed the Bank's total equity or 15% of the Bank's total loan portfolio, whichever is lower. In addition, the amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their deposits and the book value of their investments in the Bank. However, non-risk loans are excluded in both individual and aggregate ceiling computation. As of December 31, 2023 and 2022, the Bank has satisfactorily complied with the BSP requirement on DOSRI limits.

The following table shows the other information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31 in accordance with BSP reporting guidelines:

	December 31, 2023	December 31, 2024
Total outstanding DOSRI loans	₱ 705,361	₱ 706,125
% of loans to total loan portfolio	0.60%	0.53%
% of unsecured loans to total DOSRI/related party loans	6.72%	6.60%
% of past due loans to total DOSRI/related party loans	0.5%	0.0%
% of non-performing loans to total DOSRI/related party loans	0.0%	0.0%

The Bank leases the following properties from affiliated parties:

Property	Owner
Banawe Branch	Solmac Marketing Inc.
Edsa-Calookan	Solmac Marketing Inc.
Quintin Paredes	Downtown Realty Investment Corporation
Grace Park	SMI Development Corporation
Z-Square Mall (5 th Floor Roof Deck)	SMI Development Corporation
Makati	AMY Leasing Company
Taguig City Branch-Lite Unit	SMI Development Corporation
Z-Square Mall (Del Monte Branch ATM Off-site)	SMI Development Corporation

iii. Transactions with Retirement Fund

The retirement fund neither provides any guarantee or surety for any obligation of the Bank nor its investments by any restrictions or liens.

iv. Key Management Personnel Compensation

Salaries and short-term benefits received by key management personnel are summarized below.

	2022	2023	2024
Short-term benefits	₱ 193,106,967	₱ 196,702,715	₱ 190,173,730
Post-employment benefits	6,923,573	4,454,508	14,318,618
Total	₱ 200,030,540	₱ 201,157,223	₱ 204,492,348

The composition of the Bank's short-term benefits are as follows:

	2022	2023	2024
Salaries and wages	₱ 147,856,807	₱ 152,489,625	₱ 145,218,961
Bonuses	37,497,977	36,617,816	35,075,101
Social security costs	2,935,449	3,761,083	4,409,090
Other short-term benefits	4,816,735	3,834,191	5,470,578
Total	₱ 193,106,967	₱ 196,702,715	₱ 190,173,730

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

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

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

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

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

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

Responsibilities of the Bank's Board of Directors:

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

Major role and contribution of the Chairman of the Board

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

1. Ensure that the meeting agenda focuses on strategic matters, including discussion on risk appetites and key governance concerns;
2. Ensure a sound decision-making process;
3. Encourage and promote critical discussion;

4. Ensure that views can be expressed and discussed within the decision-making process;
5. Ensure that members of the Board of Directors receive accurate, timely, and relevant information;
6. Ensure the conduct of proper orientation for first-time directors and provide training opportunities for all directors; and
7. Ensure conduct of performance evaluation of the board of directors at least once a year.

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

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

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

Name of Directors	Corporate Governance	
	Attended	%
Roberto C. Uyquiengco (Chairperson)	12	100%
Roberto A. Atendido	10	83%

¹ Member up to June 2024

² Member up to June 2024

³ Member from July 2024, attended 5 out of 6 meetings (partial year)

⁴ Member from July 2024, attended 4 out of 6 meetings (partial year)

Narciso DL. Eraña	12	100%
Benel D. Laguna	12	100%
Diosdado M. Peralta	11	92%
Total number of meetings held during the year 2024	12	95%

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

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

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

Name of Directors	Trust Committee	
	Attended	%
Roberto A. Atendido (Chairperson)	6	100%
Rolando R. Avante	5	83%
Narciso DL. Eraña	6	100%
Dr. Leticia M. Yao	6	100%

⁵ Assumed the role of RPT Committee Chair in July 2024

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

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

Total number of meetings held during the year 2024	6	96%
--	---	-----

Non-Executive Directors' Meeting

PBB also held a Non-Executive Directors' Meeting in November 2024, where non-executive directors met with the external auditor, along with the group heads of the Bank's control units particularly Compliance, Audit, and Risk groups, to discuss Corporate Governance matters, its audit scope and recommendations.

Review process by the Board to Ensure Effectiveness and Adequacy of Internal Control System.

To ensure that the Board is properly and timely apprised of all material corporate governance concerns as well as matter requiring immediate Board action, a review process was adopted to ensure effectiveness and adequacy of internal control system.

The oversight/control units of the bank namely: Internal Audit, Compliance Center and Enterprise Risk Management Group held (12) twelve monthly reporting discussions and meetings with their respective board level committees to discuss relevant and pressing control issues. The respective committees then had free and unhampered discussions on effectiveness and adequacy of the bank's internal control system. These matters were raised by the Committee Chairmen to the Board for information and immediate action.

In addition, the Chairman of the Corporate Governance Committee held a separate meeting with the Bank's management to discuss items which needs immediate action as well as issues that may pose significant corporate governance concerns in the future.

Related Party Transactions

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

The Board of Directors constituted an RPT Committee who will:

1. Evaluate on an on-going basis the existing relationship between and among businesses and counterparties to ensure that all related parties are continuously identified, monitored, and subsequent relationships with counterparties are captured;
2. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Bank are

misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions;

3. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures and policies on conflict of interest or potential conflict of interest;
4. Report to the Board of Directors on a regular basis the status and aggregate exposure to each related party;
5. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review; and
6. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting the RPTs including the periodic review of RPT policies and procedures.

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

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

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

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

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

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

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

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

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

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

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

Self-Assessment Function

The control environment of the Bank consists of:

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

Annual Performance Assessment

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

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

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

To ensure continuous improvement of corporate governance, the Board conducts an Annual Performance Assessment, evaluating the collective performance of the Board, Committees, CEO, and individual directors.

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

Corporate Measures

The Bank is committed to maintaining and continuously improving its corporate governance framework. Key initiatives undertaken to reinforce governance integrity include:

Annual Corporate Governance Training

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

Board Diversity

The Board is composed of directors from diverse professional backgrounds, ensuring well-rounded leadership. Among the 11 board members, five are independent directors, and one is a female director, reflecting the Bank's commitment to inclusivity.

Independent Oversight and Risk Management

To ensure robust oversight, most Board-level committees are chaired or significantly composed of Independent Directors. The Non-Executive Directors also convene regular meetings with the Heads of Compliance, Risk, and Audit, alongside external auditors, to discuss critical governance issues and ensure risk management strategies remain effective.

Whistleblower Protection and Transparency

A whistleblower policy is in place, publicly accessible via the Bank's website, fostering an open and accountable culture by allowing stakeholders to report unethical conduct.

Deviations from the Manual of Corporate Governance

In line with its commitment to upholding governance excellence, the Bank affirms that no known deviations from the Manual of Corporate Governance have been identified during the reporting period.

The Board of Directors continues to maintain strong attendance and active participation in meetings, ensuring that governance obligations are met in full.

Furthermore, no reported violations or sanctions have been imposed on any director or executive during the period under review.

Plans to Improve Corporate Governance

Recognizing that corporate governance is an evolving discipline, the Bank remains proactive in strengthening its governance framework. Future initiatives include:

Engagement of an Independent External Evaluator

To enhance the rigor of its Board performance assessment, the Bank will engage an independent external party to conduct an objective review of the Board's effectiveness and governance practices.

Integration of ESG (Environmental, Social, and Governance) Principles

Governance sustainability remains a key priority, with the Bank aligning its policies with global ESG standards to promote responsible banking and ethical business practices.

Other Initiatives

- Annual review of the Corporate Governance Manual, with expanded Board duties incorporated in 2024.
- Succession Plan, Approved and amended in 2024.
- HR & Compliance Training, Conducted bank-wide retooling sessions in 2024.

With a strong foundation in corporate governance, the Bank continues to enhance its governance practices, ensuring transparency, ethical leadership, and regulatory compliance. Through continuous evaluation, stakeholder engagement, and adherence to best practices, the Bank remains dedicated to fostering a governance culture that builds trust and long-term value for all stakeholders.

Consumer Protection Practices

A. Board and Senior Management Oversight Function

a. Board of Directors

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

The roles of the Board shall include the following:

- i. Approve the consumer protection policies;
- ii. Approve risk assessment strategies relating to effective recourse by the consumer;
- iii. Provide adequate resources devoted to consumer protection; and
- iv. Review the applicable policies periodically.

b. Senior Management

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

B. Consumer Protection Risk Management System

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

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

This may be done by:

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

C. Consumer Assistance Management System

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

The general process of handling customer complaints is as follows:

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

Telephone Numbers	Available Time
Branch/H.O. unit	9:00 AM – 4:00 PM (Monday to Friday)
Consumer Protection Direct Line <ul style="list-style-type: none">• (02) 8363-4357• (02) 8244-9176	9:00 AM – 4:00 PM (Monday to Friday)

Domestic Toll Free Hotline • 1-800-1-888-4357	
Card-related Concerns Hotline/PBB Helpdesk • (02) 8363-3000 Domestic Toll Free Hotline • 1-800-10-363-3000	24 hrs. (Monday to Sunday)

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

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

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

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

- c. The complaint shall pass through the Consumer Protection Officer (CPO) or the PBB Helpdesk (if the complaint is lodged via telephone), who shall acknowledge receipt of the same and shall obtain/record the details of the complaint in the CAMS. The CPO (or PBB Helpdesk) shall then assign the complaint to the concerned support group.
- d. The support group retrieves the complaint received through the CAMS or e-mail (whichever is applicable) and performs the necessary corrective actions based on the nature of the complaint. The resolution made on the complaint shall then be recorded accordingly in the CAMS or reply via e-mail (whichever is applicable).
- e. Once the complaint has been resolved by the Support Group, the CPO shall tag it as closed in the CAMS. The CPO (or the PBB Helpdesk) shall also be the one to generate and submit the Customer Complaint Summary Report monthly to the Consumer Protection Head.
- f. The Consumer Protection Head shall perform the following tasks:
 - i. Monitor and evaluate customer complaints handling process;
 - ii. Analyze the nature of the complaints and recommends solutions to avoid recurrence;
 - iii. Extract generated complaints report monthly except when it is urgently needed to be submitted to and reviewed by the HR Head;
 - iv. Recommend the resolution of the case or if needed to be elevated to proper authorities or needed to be taken up in the Committee on Employee Discipline (CED), if applicable;

- v. Report to senior management on a quarterly basis the complaints received and the resolutions applied;
 - vi. Report periodically to the Board all complaints received within the period as stated; and
 - vii. Make recommendation and assessment on the cases filed to avoid recurrence in the future.
- g. To assess if the complaints have been resolved at the highest degree of satisfaction, the Bank also asks feedback through its Complaint Handling Feedback Form. This is sent via email to the concerned client after a complaint's resolution. In addition, and to ensure consistency in the level of service rendered after the complaint filing, the Bank monitors the implementation of the resolution after 30, 60, and 90 days through Service Recovery Strategy (SRS) Tracking System.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

Annex A..... Audited Financial Statements

(b) Reports on SEC Form 17-C

State whether any reports on SEC Form 17-C, as amended were filed during the last six-month period covered by this report, listing the items reported, any financial statements filed and the dates of such.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Caloocan City on APR 07 2025

By:



JEFFREY S. YAO

Chairman



ATTY. ROBERTO S. SANTOS

Corporate Secretary



ROLANDO R. AVANTE

Vice Chairman and President/CEO



ROLANDO G. ALVENDIA

Chief Accountant

APR 07 2025
SUBSCRIBED AND SWORN to before me this _____ day of _____ 20____
affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	TIN NO.
JEFFREY S. YAO	121-076-085
ROLANDO R. AVANTE	106-968-623
ROLANDO G. ALVENDIA	107-182-307
ROBERTO S. SANTOS	123-467-623

Notary Public


NIÑO CHRISTOPHER R. PURA

Notary Public for Caloocan City
Notarial Commission Case No. 537 valid until Dec 2026
Philippine Business Bank Corporate Center
350 Rizal Ave. Cor 8th Ave
Grace Park, Caloocan City
Roll No. 53988

PTR OR No. CAL 2438061 / 01/02/25 / Caloocan
MBP OR No. 488199 / 12/7/24 / Calmanan
MCLE Cert No. VII-0021738 / 06/21/22

Doc. No. 52

Page No. 12

Book No. 6

Series of 2025

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

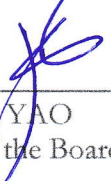
The management of **Philippine Business Bank, Inc.** (the Bank), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the year ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting framework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

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

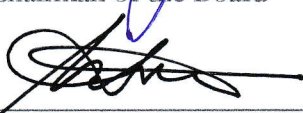
The Board of Directors is responsible for overseeing the Bank's financial reporting process.

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.



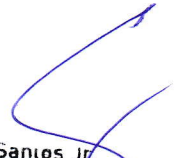
JEFFREY S. YAO
Chairman of the Board



ROLANDO R. AVANTE
Vice Chairman, President & CEO



ROLANDO G. ALVENDIA
FVP Controller


Roberto K. Santos Jr.
350 Rizal Ave., cor 8th Ave. Grace Park, Caloocan City
IGP OR No. 484137 (12/17/2024 CALMANA)
PTR No. AA2831087 (01/02/2025 Pasig City)
Attorney Roll No. 59570
MCLE No. VII-0006218 (valid until April 14, 2025)
MC C-519 until 31 Dec 2026

Signed this 4th day of April, 2025

Doc. No. 197
Page No. 41
Book No. 11
Series of 2025

350 Rizal Ave. Extension cor. 8 Ave., Grace Park, Caloocan City, Philippines Tel. No. (632) 8363-3333

Rolando G. Alvendia

From: eafs@bir.gov.ph
Sent: Monday, 14 April 2025 3:10 pm
To: EAFS@PBB.COM.PH
Cc: ALVENDIA_RG@PBB.COM.PH
Subject: Your BIR AFS eSubmission uploads were received

Hi PHILIPPINE BUSINESS BANK INC,

Valid files

- EAFS005469606RPTTY122024.pdf
- EAFS005469606ITRTY122024.pdf
- EAFS005469606AFSTY122024.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-PS3SZ3R07DC9KGKQ31TQ2NW04MV3PSSR**
Submission Date/Time: **Apr 14, 2025 03:10 PM**
Company TIN: **005-469-606**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.



FOR PSE FILING

Financial Statements and
Independent Auditors' Report

Philippine Business Bank, Inc., A Savings Bank

December 31, 2024, 2023 and 2022

Report of Independent Auditors

Punongbayan & Araullo

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
Philippine Business Bank, Inc., A Savings Bank
350 Rizal Avenue Extension corner 8th Avenue
Grace Park, Caloocan City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Philippine Business Bank, Inc., A Savings Bank (the Bank), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2024, and the notes to financial statements, including material accounting policy information.

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

The following are the key audit matters identified in our audit of the financial statements of the Bank:

(a) Expected Credit Loss for Loans and Other Receivables*Description of the Matter*

As at December 31, 2024, the Bank's expected credit losses (ECL) allowance for loans and receivables amounted to P6.4 billion while the carrying value of loans and receivables amounted to P128.3 billion. We have determined that the Bank's ECL model is significant to our audit as this:

- requires significant management judgment on the interpretation and implementation of the requirements of PFRS 9, *Financial Instruments*, in assessing impairment losses based on an ECL model that involves segmenting credit risk exposures, defining when does default occur and what constitutes a significant increase in the credit risk (SICR) of different exposures;
- involves a high degree of estimation uncertainty related to management's use of various inputs and assumptions applied in the ECL model such as credit risk rating and flow rates of corporate and consumer loans, expected amount and timing of cash flows, including recovery of collaterals for defaulted accounts, and forward-looking macroeconomic information which may be affected by management estimation bias; and,
- requires complex estimation process that entails implementation of internal controls and use of information system in ensuring the completeness and accuracy of data used in the ECL calculation and in the preparation of required disclosures in the financial statements.

In accordance with its policy, the Bank regularly conducts a review of its ECL model to validate the assumptions used for each parameter used, and to determine accuracy and effectiveness of the ECL methodology in place. In 2024, the Bank designed a specific provisioning policy to identify significant credit exposures that warrant individual assessments for loan loss provisioning. Furthermore, the Bank provided enhancements to the loss-given default (LGD) computation to incorporate the impact of the recovery rates of borrowers based on collateral types. This framework ensures a systematic approach to identifying material credit risks and aligns with the Bank's risk management strategy.

The summary of material accounting policy information and the significant judgment, including estimation applied by management, as those related to the credit risk assessment process of the Bank are disclosed in Notes 2, 3 and 4 to financial statements. The other disclosures related to this matter are presented in Notes 11 and 26.

How the Matter was Addressed in the Audit

We obtained an understanding of the Bank's accounting policies and methodologies applied and we evaluated whether those: (a) are established and implemented consistent with the underlying principles of PFRS 9; (b) are appropriate in the context of the Bank's lending activities and asset portfolio that takes into consideration the different segments of credit exposures and the relevant regulatory framework; and, (c) are supported by pertinent processes and controls, including documentations of the accounting policies that capture in sufficient detail the judgment, including estimation, applied in the development of the ECL model.

We also obtained an understanding of the enhancements made by the Bank with respect to the specific provisioning policy and enhancements in the LGD computation, and evaluated whether (a) any historical and forward-looking information used as inputs are accurate and reliable; and (b) the assumptions used are appropriate and properly reflected the current portfolio and credit practices, supported, documented, and approved.

With respect to the use of significant judgment, including those involving estimation of inputs and assumptions used in the ECL model, we performed the following:

- assessed the Bank's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics based on portfolio flow rates, and evaluated the appropriateness of the model applied for each loan portfolio;
- evaluated both the quantitative and qualitative criteria applied in the definition of default against historical analysis for each segment of loan portfolio and in accordance with credit risk management practices, and tested the criteria in the determination of the SICR, including assignment of a loan or group of loans into different stages of impairment;
- tested loss given default information across various types of loan by inspecting records of historical recoveries and relevant costs, including valuation and cash flows from collateral and write-offs, and further segmented the LGD depending on the stage of the loan and the type of collateral;
- reconciled and tested exposure at default for all outstanding loans against the relevant loan databases; and,
- assessed the appropriateness of the identification of forward-looking information (overlays) used in the ECL model and validated their reasonableness against publicly available information and our understanding of the Bank's loan portfolios and industry where it operates, including review of accuracy of application or formula used for ECL calculation and evaluation of management's selection of macro-economic factors, scenarios and probability weightings.

As part of our audit of the ECL methodology, we tested the completeness and accuracy of the data used in the ECL model through reconciliation of loan data subjected to the ECL calculations, which were prepared by management outside its general ledger system, against the relevant financial reporting applications and other accounting records. Moreover, we tested the stratification of loan data that were disaggregated into various portfolio segments for purposes of ECL calculations. Furthermore, we tested the mathematical formula and the computation logics applied in the calculation of the different inputs in the ECL model and the estimation of the credit losses for all loans and other receivables subjected to impairment assessment.

We also evaluated the completeness and appropriateness of the disclosures in the financial statements based on the requirements of the relevant financial reporting standards.

(b) Assessment of Goodwill and Branch Licenses Impairment*Description of the Matter*

Under Philippine Accounting Standard 36, *Impairment of Assets*, the Bank is required to annually test the carrying amounts of its goodwill and branch licenses for impairment. As at December 31, 2024, goodwill amounted to P121.9 million, while the branch licenses amounted to P250.8 million. We identified this area as a key audit matter because the annual impairment test requires significant judgment and is based on assumptions, which are internally developed or projected by management. This includes identification of cash generating units (CGUs) where the goodwill and branch licenses are allocated and the future cash flows of the identified CGUs, which are significantly affected by higher level of estimation uncertainty. The significant assumptions include the determination of the discount rate, growth rate and cash flow projections used in determining the value-in-use and the CGUs over which the goodwill and branch licenses were allocated. The Bank engaged a third-party valuation specialist to assist in determining the recoverable amount of goodwill and branch licenses. Management's significant assumptions include:

- the CGU will have sufficient financial resources to finance its working capital requirements to achieve its projected forecast and to support the business needs; and,
- the CGU's performance forecast for the next five years.

The Bank's accounting policy on impairment of and disclosures about goodwill and branch licenses are included in Notes 2 and 14, respectively, to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the goodwill and branch licenses included, among others, the following:

- engaged our Firm specialist to assist in evaluating the appropriateness of methodologies and assumptions used in determining the recoverability of goodwill and branch licenses;
- assessed the competence, objectivity, and capabilities of the third-party valuation specialist engaged by the Bank in considering their qualifications, experience and reporting responsibilities;
- evaluated the appropriateness and reasonableness of methodology and assumptions used in determining the value-in-use of CGUs attributable to the branch licenses and goodwill, which include the discount rate, growth rate and the cash flow projections, by comparing them to external and historical data, with assistance from our Firm's valuation specialists;
- tested the calculation of valuation model for mathematical accuracy and validating the appropriateness and reliability of inputs and amounts used;
- evaluated the adequacy of the financial statement disclosures relating to goodwill, branch licenses and impairment, including disclosure of key assumptions and judgments; and,
- compared the discount rate and long-term growth rate used against the industry and market outlook and other relevant consensus data.

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the years ended December 31, 2024 and 2023 required by the Bangko Sentral ng Pilipinas, and for the year ended December 31, 2024 required by the Bureau of Internal Revenue as disclosed in Notes 29 and 30 to the financial statements, respectively, are presented for purposes of additional analysis and are not required parts of the basic financial statements prepared in accordance with PFRS Accounting Standards; it is neither a required disclosure under the Revised Securities Regulations Code Rule 68. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO



By: Maria Isabel E. Comedia
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 10465901, January 2, 2025, Makati City
BIR AN 08-002511-021-2022 (until October 13, 2025)
BOA/PRC Cert. of Reg. No. 0002/P-005 (until August 12, 2027)

April 2, 2025

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

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
<u>RESOURCES</u>			
CASH AND OTHER CASH ITEMS	9	P 1,177,794,637	P 1,316,780,680
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	2,881,093,706	4,498,604,149
DUE FROM OTHER BANKS	9	4,056,453,936	4,170,280,397
TRADING AND INVESTMENT SECURITIES – Net	10		
At fair value through profit or loss (FVTPL)		10,173,768,625	6,782,337,118
At fair value through other comprehensive income (FVOCI)		14,326,399,293	13,765,424,913
At amortized cost – net		1,270,349,150	1,501,256,354
LOANS AND OTHER RECEIVABLES – Net	11	128,272,138,050	117,563,935,794
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – Net	12	982,155,540	874,738,714
INVESTMENT PROPERTIES – Net	13	2,027,410,429	1,415,433,957
DEFERRED TAX ASSETS – Net	23	1,766,272,966	1,612,742,372
OTHER RESOURCES – Net	14	<u>1,057,829,169</u>	<u>912,920,356</u>
TOTAL RESOURCES		<u>P 167,991,665,501</u>	<u>P 154,414,454,804</u>
<u>LIABILITIES AND EQUITY</u>			
DEPOSIT LIABILITIES	15		
Demand		P 53,996,093,517	P 52,749,203,605
Savings		15,048,843,349	15,567,082,699
Time		<u>70,049,342,004</u>	<u>58,402,429,713</u>
		139,094,278,870	126,718,716,017
BILLS PAYABLE	16	4,562,500,000	4,750,000,000
ACCRUED EXPENSES AND OTHER LIABILITIES	17	<u>4,974,394,742</u>	<u>4,931,275,495</u>
Total Liabilities		<u>148,631,173,612</u>	<u>136,399,991,512</u>
EQUITY	19		
Capital stock		8,807,500,940	8,807,500,940
Additional paid-in capital		1,998,396,816	1,998,396,816
Surplus		9,684,114,497	8,310,081,418
Revaluation reserves		(<u>1,129,520,364</u>)	(<u>1,101,515,882</u>)
Total Equity		<u>19,360,491,889</u>	<u>18,014,463,292</u>
TOTAL LIABILITIES AND EQUITY		<u>P 167,991,665,501</u>	<u>P 154,414,454,804</u>

See Notes to Financial Statements.

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2024	2023	2022
INTEREST INCOME				
Loans and other receivables	11	P 9,252,636,712	P 8,161,932,274	P 5,724,208,657
Trading and investment securities	10	1,202,930,338	812,008,890	637,292,253
Due from Bangko Sentral ng Pilipinas and other banks	9	176,556,888	321,659,656	218,049,115
		<u>10,632,123,938</u>	<u>9,295,600,820</u>	<u>6,579,550,025</u>
INTEREST EXPENSE				
Deposit liabilities	15	3,646,924,317	2,739,792,966	976,041,438
Bills payable	16	283,600,733	108,993,662	25,239,713
Corporate notes payable		-	-	6,436,301
Others	17, 21	37,136,199	25,420,466	24,461,998
		<u>3,967,661,249</u>	<u>2,874,207,094</u>	<u>1,032,179,450</u>
NET INTEREST INCOME		6,664,462,689	6,421,393,726	5,547,370,575
IMPAIRMENT LOSSES – Net	26	<u>958,395,769</u>	<u>1,053,438,713</u>	<u>820,614,023</u>
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		<u>5,706,066,920</u>	<u>5,367,955,013</u>	<u>4,726,756,552</u>
OTHER INCOME				
Service charges, fees and commissions		307,411,761	260,798,581	727,958,296
Trading gains – net	10	-	287,760,989	-
Miscellaneous – net	20	541,745,762	431,988,496	218,226,956
		<u>849,157,523</u>	<u>980,548,066</u>	<u>946,185,252</u>
OTHER EXPENSES				
Salaries and other employee benefits	21	1,345,186,350	1,359,006,364	1,183,429,591
Taxes and licenses		1,004,330,612	933,663,221	647,080,896
Depreciation and amortization	12, 13, 14	374,786,645	356,278,872	328,281,618
Insurance		315,863,791	289,856,031	265,391,425
Occupancy	17	308,400,315	263,276,118	260,086,593
Management and other professional fees		180,908,469	241,031,012	192,763,571
Representation and entertainment		65,042,602	61,859,614	38,811,450
Trading losses – net	10	87,575,241	-	402,252,951
Miscellaneous	20	477,033,485	504,180,233	492,364,173
		<u>4,159,127,510</u>	<u>4,009,151,465</u>	<u>3,810,462,268</u>
PROFIT BEFORE TAX		2,396,096,933	2,339,351,614	1,862,479,536
TAX EXPENSE	23	<u>614,026,312</u>	<u>515,334,634</u>	<u>551,030,042</u>
NET PROFIT		<u>P 1,782,070,621</u>	<u>P 1,824,016,980</u>	<u>P 1,311,449,494</u>
EARNINGS PER SHARE				
Basic and Diluted	27	<u>P 2.13</u>	<u>P 2.23</u>	<u>P 1.85</u>

See Notes to Financial Statements.

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2024	2023	2022
NET PROFIT		<u>P 1,782,070,621</u>	<u>P 1,824,016,980</u>	<u>P 1,311,449,494</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Gain (loss) on remeasurements of post-employment defined benefit plan	21	(6,715,998)	(39,540,266)	24,960,375
Tax income (expense)	23	<u>1,679,000</u>	<u>9,885,067</u>	(<u>6,240,093</u>)
		(<u>5,036,998</u>)	(<u>29,655,199</u>)	<u>18,720,282</u>
Items that will be reclassified subsequently to profit or loss				
Fair value gains (losses) on investment securities at FVOCI during the year – net	10, 19	(6,099,697)	539,514,930	(1,404,660,931)
Expected credit losses for FVOCI securities	10, 19	(16,867,787)	(6,074,143)	(6,564,187)
Fair value losses (gains) reclassified to profit or loss during the year – net	10, 19	<u>-</u>	(<u>1,009,332</u>)	<u>607,336</u>
		(<u>22,967,484</u>)	<u>532,431,455</u>	(<u>1,410,617,782</u>)
		(<u>28,004,482</u>)	<u>502,776,256</u>	(<u>1,391,897,500</u>)
TOTAL COMPREHENSIVE INCOME (LOSS)		<u>P 1,754,066,139</u>	<u>P 2,326,793,236</u>	<u>(P 80,448,006)</u>

See Notes to Financial Statements.

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

	Capital Stock (see Note 19)			Additional Paid-in Capital (see Note 19)	Deposit on Future Stock Subscription (see Note 19)	Surplus (see Note 19)			Revaluation Reserves (see Note 19)	Total Equity
	Preferred Stock	Common Stock	Total			Appropriated	Unappropriated	Total		
Balance as at January 1, 2024	P 620,000,000	P 8,187,500,940	P 8,807,500,940	P 1,998,396,816	P -	P 829,350,345	P 7,480,731,073	P 8,310,081,418	(P 1,101,515,882)	P 18,014,463,292
Cash dividends declared during the year	-	-	-	-	-	-	(408,037,542)	(408,037,542)	-	(408,037,542)
Appropriation during the year	-	-	-	-	-	175,857,114	(175,857,114)	-	-	-
Total comprehensive income (loss) during the year	-	-	-	-	-	-	1,782,070,621	1,782,070,621	(28,004,482)	1,754,066,139
 Balance as at Dec 31, 2024	 <u>P 620,000,000</u>	 <u>P 8,187,500,940</u>	 <u>P 8,807,500,940</u>	 <u>P 1,998,396,816</u>	 <u>P -</u>	 <u>P 1,005,207,459</u>	 <u>P 8,678,907,038</u>	 <u>P 9,684,114,497</u>	 <u>(P 1,129,520,364)</u>	 <u>P 19,360,491,889</u>
 Balance as at January 1, 2023	 P 620,000,000	 P 6,437,500,940	 P 7,057,500,940	 P 1,998,396,816	 P 312,500,000	 P 733,615,810	 P 6,078,611,161	 P 6,812,226,971	 (P 1,604,292,138)	 P 14,576,332,589
Issuance of shares of stock	-	1,750,000,000	1,750,000,000	-	(312,500,000)	-	-	-	-	1,437,500,000
Cash dividends declared during the year	-	-	-	-	-	-	(326,162,533)	(326,162,533)	-	(326,162,533)
Appropriation during the year	-	-	-	-	-	95,734,535	(95,734,535)	-	-	-
Total comprehensive income during the year	-	-	-	-	-	-	1,824,016,980	1,824,016,980	502,776,256	2,326,793,236
 Balance as at December 31, 2023	 <u>P 620,000,000</u>	 <u>P 8,187,500,940</u>	 <u>P 8,807,500,940</u>	 <u>P 1,998,396,816</u>	 <u>P -</u>	 <u>P 829,350,345</u>	 <u>P 7,480,731,073</u>	 <u>P 8,310,081,418</u>	 <u>(P 1,101,515,882)</u>	 <u>P 18,014,463,292</u>
 Balance as at January 1, 2022	 P 620,000,000	 P 6,437,500,940	 P 7,057,500,940	 P 1,998,396,816	 P -	 P 374,242,445	 P 5,245,335,032	 P 5,619,577,477	 (P 212,394,638)	 P 14,463,080,595
Deposit on future stock subscription	-	-	-	-	312,500,000	-	-	-	-	312,500,000
Dividends during the year	-	-	-	-	-	-	(118,800,000)	(118,800,000)	-	(118,800,000)
Appropriation during the year	-	-	-	-	-	359,373,365	(359,373,365)	-	-	-
Total comprehensive income (loss) during the year	-	-	-	-	-	-	1,311,449,494	1,311,449,494	(1,391,897,500)	(80,448,006)
 Balance as at December 31, 2022	 <u>P 620,000,000</u>	 <u>P 6,437,500,940</u>	 <u>P 7,057,500,940</u>	 <u>P 1,998,396,816</u>	 <u>P 312,500,000</u>	 <u>P 733,615,810</u>	 <u>P 6,078,611,161</u>	 <u>P 6,812,226,971</u>	 <u>(P 1,604,292,138)</u>	 <u>P 14,576,332,589</u>

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 2,396,096,933	P 2,339,351,614	P 1,862,479,536
Adjustments for:				
Interest income	9, 10, 11	(10,632,123,938)	(9,295,600,820)	(6,579,550,025)
Interest received		10,521,192,239	9,443,572,978	6,506,710,185
Interest paid		(4,684,337,784)	(2,653,757,330)	(1,057,649,309)
Interest expense	15, 16, 17, 21	3,967,661,249	2,874,207,094	1,032,179,450
Impairment losses - net	28	958,395,769	1,053,438,713	820,614,023
Depreciation and amortization	12, 13, 14	374,786,645	356,278,872	328,281,618
Unrealized foreign currency revaluation on investment securities at FVOCI	10	(93,231,689)	33,093,390	(197,693,919)
Amortization of premium (discount) on investments	10	8,323,656	(25,152,338)	34,254,035
Loss (gain) on sale of properties - net	13, 14, 20	(5,672,122)	(84,609,969)	16,616,368
Loss (gain) on redemptions of investment securities at FVOCI	10	-	(1,009,332)	607,336
Amortization of bond issue cost	17, 28	-	-	4,647,360
Operating profit before working capital changes		2,811,090,958	4,039,812,872	2,771,496,658
Decrease (increase) in financial assets at FVPL		(3,391,431,507)	(4,560,316,079)	260,191,981
Increase in loans and other receivables		(16,211,038,997)	(13,053,861,232)	(13,764,592,500)
Decrease (increase) in investment properties		18,335,900	310,288,098	159,582,664
Decrease (increase) in other resources		(33,063,134)	(90,297,326)	169,998,841
Increase in deposit liabilities		13,092,239,388	11,975,375,979	2,137,775,005
Increase (decrease) in accrued expenses and other liabilities		(18,648,763)	714,425,421	1,391,400,170
Cash used in operations		(3,732,516,155)	(664,572,267)	(6,874,147,181)
Cash paid for income taxes		(800,154,754)	(618,833,051)	(458,868,496)
Net Cash Used in Operating Activities		(4,532,670,909)	(1,283,405,318)	(7,333,015,677)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of investment securities at FVOCI	10	(1,555,351,731)	(2,795,028,683)	(296,476,107)
Proceeds from sale, redemptions, and maturities of investment securities at FVOCI	10	1,031,380,000	325,000,000	199,392,664
Proceeds from maturities of investment securities at amortized cost	10	503,687,237	547,450,082	292,032,610
Acquisitions of investment securities at amortized cost	10	(230,974,346)	(869,329,792)	(520,953,694)
Acquisitions of bank premises, furniture, fixtures and equipment	12	(115,047,247)	(150,345,608)	(95,732,812)
Acquisition of software licenses	14	(71,545,866)	(21,833,298)	(16,418,729)
Proceeds from sale of bank premises, furniture, fixtures and equipment	12	8,006,521	22,992,917	9,684,420
Net Cash Used in Investing Activities		(429,845,432)	(2,941,094,382)	(428,471,648)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of bills payable	16, 28	(26,050,000,000)	(1,250,000,000)	(500,000,000)
Proceeds from bills payable	16, 28	25,862,500,000	4,500,000,000	2,000,000,000
Payment of cash dividends	20	(408,037,542)	(326,162,533)	(118,800,000)
Payment of lease liabilities	17, 28	(175,615,511)	(165,946,559)	(145,630,698)
Proceeds from issuance of capital stock	19	-	1,437,500,000	-
Repayments of corporate notes payable	17, 28	-	-	(3,000,000,000)
Proceeds from deposit on future stock subscription	19	-	-	312,500,000
Net Cash From (Used in) Financing Activities		(771,153,053)	4,195,390,908	(1,451,930,698)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(5,733,669,394)	(29,108,792)	(9,213,418,023)
CASH AND CASH EQUIVALENTS				
AT BEGINNING OF THE YEAR				
Cash and other cash items	9	1,316,780,680	1,247,987,230	1,430,787,675
Due from Bangko Sentral ng Pilipinas	9	4,498,604,149	6,102,228,578	16,754,028,342
Due from other banks	9	4,170,280,397	5,215,663,162	3,474,970,323
Securities under reverse repurchase agreement	9, 11	4,992,596,914	2,394,635,343	2,538,411,628
Foreign currency notes and coins on hand	9, 14	68,818,715	115,675,334	91,409,702
		<u>15,047,080,855</u>	<u>15,076,189,647</u>	<u>24,289,607,670</u>
CASH AND CASH EQUIVALENTS				
AT END OF THE YEAR				
Cash and other cash items	9	1,177,794,637	1,316,780,680	1,247,987,230
Due from Bangko Sentral ng Pilipinas	9	2,881,093,706	4,498,604,149	6,102,228,578
Due from other banks	9	4,056,453,936	4,170,280,397	5,215,663,162
Interbank loans receivable	9, 11	615,690,000	-	-
Securities purchased under reverse repurchase agreement	9, 11	500,000,000	4,992,596,914	2,394,635,343
Foreign currency notes and coins on hand	9, 14	<u>82,379,182</u>	<u>68,818,715</u>	<u>115,675,334</u>
		<u>P 9,313,411,461</u>	<u>P 15,047,080,855</u>	<u>P 15,076,189,647</u>

Supplemental note details of non-cash transactions are presented in Note 28.

See Notes to Financial Statements.

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos or As Otherwise Indicated)

1. CORPORATE MATTERS

1.1 Incorporation and Operations

Philippine Business Bank, Inc., A Savings Bank (the Bank or PBB) was incorporated in the Philippines on January 28, 1997 to engage in the business of thrift banking. It was authorized to engage in foreign currency deposit operations on August 27, 1997, and in trust operations on November 13, 2003. The Bank is a publicly listed entity in the Philippine Stock Exchange (PSE). It had its initial public offering (IPO) of shares on February 13, 2013 (see Note 19.1).

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

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

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

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

1.2 Approval of the Financial Statements

The financial statements of the Bank as of and for the year ended December 31, 2024 (including the comparative financial statements as of December 31, 2023 and for the years ended December 31, 2023 and 2022) were authorized for issue by the Bank's Board of Directors (BOD) on April 2, 2025.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information that has been used in the preparation of these financial statements is summarized in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Financial Statements

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

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

(c) Functional and Presentation Currency

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

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

2.2 Adoption of Amended Standards

(a) Effective in 2024 that are Relevant to the Bank

The Bank adopted for the first time the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2024:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, and Non-current liabilities with Covenants
PAS 7 and PFRS 7 (Amendments)	:	Statement of Cash Flow, and Financial Instruments: Disclosures – Supplier Finance Arrangements
PFRS 16 (Amendments)	:	Leases – Lease Liability in a Sale and Leaseback

Discussed below is the relevant information about these pronouncements.

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*. The amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendments had no significant impact on the Bank's financial statements.
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants*. The amendment specifies that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For non-current liabilities subject to conditions, an entity is required to disclose the information about the conditions, whether the entity would comply with the conditions based on its circumstances at the reporting date and whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested. The application of these amendments had no significant impact on the Bank's financial statements.
- (iii) PAS 7 and PFRS 7 (Amendments), *Statement of Cash Flows, Financial Instruments*. The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangement as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The application of these amendments had no significant impact on the Bank's financial statements.

- (iv) PFRS 16, *Leases – Lease Liability in a Sale and Leaseback*. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it did not recognize any amount of gain or loss that relates to the right of use it retains. The application of these amendments had no significant impact on the Bank's financial statements.

(b) *Effective Subsequent to 2024 but not Adopted Early*

There are pronouncements effective for annual periods subsequent to 2024, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have a significant impact on the Bank's financial statements:

- (i) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)
- (ii) PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)
- (iii) PFRS 18, *Presentation and Disclosures in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statement and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.

2.3 Financial Instruments

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

(a) *Financial Assets*

(i) *Classification, Measurement and Reclassification of Financial Assets*

The Bank's financial assets include financial assets at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL).

Financial Assets at Amortized Cost

Where the business model is to hold assets to collect contractual cash flows, the Bank assesses whether the financial instruments' cash flows represent amount that are solely payment of principal and interest (SPPI). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement [see Note 3.1(b)]. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Bank's financial assets at amortized cost are presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Investment Securities at Amortized Cost, Loans and Other Receivables (including Interbank Loans Receivables), and Other Resources in respect of security deposits and foreign currency notes and coins on hand which are included in the account.

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

Financial Assets at Fair Value Through Other Comprehensive Income

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

Financial Assets at Fair Value Through Profit or Loss

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

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

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

(ii) *Effective Interest Rate Method and Interest Income*

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

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

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

(iii) *Impairment of Financial Assets*

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

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

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

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

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

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

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

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

Measurement of ECL

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

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

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

(iv) *Derecognition of Financial Assets – Modification of Loans*

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

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

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

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

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

(b) *Financial Liabilities*

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

2.4 Derivative Financial Instruments

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

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

2.5 Bank Premises, Furniture, Fixtures and Equipment

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

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

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

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

2.6 Investment Properties

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

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

Investment properties, except land, are depreciated over a period of 5 to 10 years. Depreciation and impairment loss are recognized in the same manner as in bank premises, furniture, fixtures and equipment (see Note 2.5).

2.7 Intangible Assets

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

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

Goodwill, branch licenses and club shares are classified as intangible assets with indefinite useful life, and thus, not subject to amortization but to an annual test for impairment (see Note 2.12). For purposes of impairment testing, goodwill is allocated to cash-generating units and is subsequently carried at cost less any allowance for impairment losses while branch licenses are tested for impairment individually based on recoverable amount (see Notes 14.2 and 14.3). For club shares, impairment loss is recognized when the fair value of the shares as of the reporting period is lower than the carrying amount.

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

2.8 Other Acquired Assets

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

2.9 Deposits on Future Stock Subscriptions

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

- (a) lack or insufficiency of authorized unissued shares of stock to cover for the deposit;
- (b) approval by the Bank's BOD and stockholders for the increase in ACS to cover the shares corresponding to the amount of the deposit; and,
- (c) application for the approval of the increase in ACS has been filed with the SEC.

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

2.10 Other Income and Expense Recognition

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

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

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

- a. *Service charges, fees, and commissions* – Service charges, fees and commissions are generally recognized when the service has been provided or after fulfilling the corresponding criteria. These include the commissions, deposit-related fees and other credit-related fees.
- b. *Asset management services* – The Bank provides asset management services, which include trust and fiduciary activities. Related fees are recognized in profit or loss as follows:
 - (i) *Asset management and trust fees* – These are service fees calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on the scheduled collection date. Revenue from asset management services is recognized over time as the services are provided.
 - (ii) *Non-refundable upfront fees* – These are charged to customers when opening certain types of trust account with the Bank. These fees give rise to material rights for future services and are recognized as revenue over the period for which a customer is expected to continue receiving asset management services.

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

- a. *Trading and securities gains (losses)* – These are recognized when the ownership of the securities is transferred to the buyer and is computed as the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains and losses as a result of the mark-to-market valuation of investment securities classified as FVTPL.
- b. *Gain or loss from assets sold or exchanged* – Income or loss from assets sold or exchanged is recognized when the title to the properties is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is included in profit or loss as part of Miscellaneous Income or Miscellaneous Expenses in the statement of profit or loss.
- c. *Recovery on charged-off assets* – Income arising from collections on accounts or recoveries from impairment of items previously written off are recognized in the year of recovery. This is included in the statement profit or loss as part of Miscellaneous Income.

2.11 Leases – Bank as a Lessee

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

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

The corresponding right-of-use assets and lease liabilities are presented as part of Bank Premises, Furniture, Fixtures and Equipment, and Accrued Expenses and Other Liabilities, respectively, in the statements of financial position.

2.12 Impairment of Non-financial Assets

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

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

2.13 Employee Benefits

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

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

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

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

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

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

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

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

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

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

If more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, the Bank assesses whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, it considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's investment objective for the business model. There is no disposal of financial assets at amortized cost in 2024 and 2023.

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

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

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

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

(d) *Determination of Branch Licenses Having Indefinite Useful Lives*

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

(e) *Determination of Lease Term*

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

The Bank did not include renewal options as part of the lease term of as the terms are renewable upon mutual agreement.

The lease term is reassessed if an option is actually exercised or not exercised, or the Bank becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Bank.

(f) *Recognition of Provisions and Contingencies*

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

Judgment is exercised by management to distinguish the difference between provisions and contingencies. Relevant disclosures are presented in Note 24. In dealing with the Bank's various legal proceedings, its estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Bank's internal and outside counsels acting in defense for the Bank's legal cases and are based upon the analysis of probable results.

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

3.2 Key Sources of Estimation Uncertainty

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

(a) Estimation of Allowance for ECL

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

The carrying value of investments in debt securities at amortized cost and at FVOCI, and loans and other receivables together with the analysis of the allowance for impairment on such financial assets, are shown in Notes 10 and 11, respectively.

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

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

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

The fair value of derivative financial instruments that are not quoted in an active market is determined through valuation techniques using the net present value computation (see Note 7.2). There is no outstanding derivatives as of December 31, 2024.

The carrying values of the Bank's trading and investment securities and the amounts of fair value changes recognized on those financial assets are disclosed in Note 10.

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

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

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

The carrying amounts of bank premises, furniture, fixtures and equipment (including right-of-use assets), investment properties, computer software and other acquired assets are analyzed in Notes 12, 13 and 14, respectively, while the carrying amounts of goodwill and branch licenses are analyzed in Note 14. Based on management's assessment as of December 31, 2024 and 2023, there are no changes in the useful lives of these assets.

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

(d) *Determination of Timing of Satisfaction of Performance Obligation*

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

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

(e) *Determination of Realizable Amount of Deferred Tax Assets*

The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying value of deferred tax assets, which management has assessed to be fully recoverable as of December 31, 2024 and 2023 is disclosed in Note 23.

(f) *Determination of Fair Value of Investment Properties*

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

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

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

(g) Impairment of Non-financial Assets

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

Allowance for impairment recognized on investment properties and other properties held for sale are discussed in Notes 13 and 14. There are no impairment losses recognized in goodwill, branch licenses, bank premises, furniture, fixtures, and equipment, and right-of-use assets.

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

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

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

(i) Valuation of Post-employment Benefits

The determination of the Bank's obligation and cost of post-employment benefit plan is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21 and include, among others, discount rates, expected rate of salary increases and employee turnover. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of defined benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 21.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

4.1 Risk Management

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

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

On the credit side, the Bank safeguards its financial health by diligently assessing and managing the risks associated with lending. It involves evaluation of borrower creditworthiness by conducting thorough analyses of financial statements, historical performance, and other pertinent information to gauge the likelihood of repayment with each loan application and renewal. It also monitors borrower performance throughout the lifecycle of each loan by promptly identifying any signs of financial distress by implementing the automated credit risk downgrading. Additionally, it oversees the broader risk profile of the bank's loan portfolio by collaborating with colleagues across various departments to develop and refine credit policies and procedures in alignment with regulatory requirements and industry standards. Regular stress testing is also conducted to assess the portfolio's resilience under different economic conditions.

The allowance for credit losses, a significant component of the Bank's financial provisioning, is calculated using complex models and procedures that forecast the projected credit losses in the loan portfolio. This entails studying historical data, economic indicators, and other pertinent elements to anticipate potential impairments. Senior management and regulatory authorities receive regular reports and updates, which provide transparency into the Bank's credit risk exposure and performance.

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

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

4.2 Enterprise Risk Management Framework

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

4.3 Credit Risk

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

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

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

Management considers the following changes to adopted ECL methodology:

- changes in loss given default (LGD) rates through consideration of cost to sell and change in haircut according to collateral types, and recalibration of recovery rates to reflect average LGD among current and performing loans only;
- changes to past due (PD) rates to incorporate enhancements for max bucketing, seasonality, final staging and overrides;
- changes in exposure at default (EAD) to reflect the impact of full subsequent collections with allocation to general loan loss provision (GLLP); and,
- specific provisioning policy to identify significant credit exposures that warrant individual assessments for loan loss provisioning.

4.3.1 Credit Risk Measurement

Loans and receivables, extended or renewed in subsequent year or period, are subjected to evaluation for possible losses. The Bank's estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows, and the passage of time. The assessment of credit risk of a portfolio of assets requires further estimations as to the PDs occurring, of the associated loss ratios, and of default correlations between counterparties; accordingly, such credit risk is measured using PD, EAD, and LGD, for purposes of measuring ECL as required by PFRS 9.

The initial recognition of credit risk by an individual or group of related counterparties is done through its ICRRS. The ICRRS is tailored to consider various categories of counterparty. The Rating system is further supplemented with external data to provide accurate ratings enabling adaptability to changes.

The ICRRS was created by the Bank with reference to the credit risk rating methodology utilized by an established rating agency to evaluate the creditworthiness of an individual borrower, regardless of the borrowing's status. The Bank reviews and updates its risk ratings for its loan and receivables portfolio on a regular basis, taking into account changes in the economy, business environment, industry, and borrower's circumstances. This periodic assessment of credit quality may result in a borrower's rating being improved or downgraded over time. The credit risk ratings in ICRRS are designed to increase the risk of default exponentially as the risk rating increases, as indicated by differences in the PD.

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

(i) Retail or Consumer Loans

Subsequent to initial recognition, the payment behavior of the borrower is monitored periodically. The ECL parameters were carried out on a collective basis on shared credit risk characteristics of the borrowers and the repayment scheme of the products.

(ii) Corporate and Commercial Loans

For corporate and commercial loans, the rating is determined at the borrower level. A relationship manager incorporates any updated or new information or credit assessments into the credit review system on an ongoing basis. In addition, the relationship manager also updates information about the creditworthiness of the borrower every year from sources such as publicly available financial statements. This determines the internal credit rating and the PD.

(iii) Debt Securities at Amortized Cost and at FVOCI

For the Bank's debt securities, PD coming from Bloomberg are used. These default rates are continuously monitored and updated. The one-year PD is an estimate of the probability of a default, bankruptcy, government intervention or distressed exchange occurring in the next 12 months.

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

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

Accounts with significant increase in credit risk are classified as "Watchlist".

<u>Risk Rating</u>	<u>Rating Description/Criteria</u>
Watch list	Borrowers for which unfavorable industry or company-specific risk factors represent a concern.

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

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

The Bank determines the stage of corporate and consumer loans based on the above risk ratings as well as the loan bucketing based on days past due. These are consistent with the manner applied under the Bank's internal credit risk assessment and regulatory reporting as follows:

Classification	Stage	Bucket
Excellent Strong Good Satisfactory Acceptable	1	Current One to 30 days
Watchlist	2	31 to 60 days 61 to 90 days
Classified Substandard Doubtful Loss	3	91 to 120 days 121 to 150 days 151 to 180 days More than 180 days

The Bank assigns consumer loans according to the loan bucketing based on days past due which are classified as follows:

Classification	Stage	Bucket
Performing	1	Current One to 30 days
Underperforming	2	31 to 60 days 61 to 90 days
Non-performing	3	91 to 120 days 120 to 150 days 151 to 180 days More than 180 days

The groupings of financial instruments into a pool of shared credit quality are subject to the regular review in order to ensure that credit exposures within a particular group remain appropriately homogenous.

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

4.3.2 Credit Quality Analysis

The following table sets out information about the credit quality of loans and other receivables, financial assets measured at amortized cost, and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts for loan commitments and other contingent accounts, the amounts in the table represent the amounts committed. As of December 31, 2024 and 2023, there are no purchased or originated credit-impaired financial assets in the Bank's financial statements.

The following table shows the exposure (gross of unamortized charges and unearned discount) to credit risk for each internal risk grade and the related allowance for impairment:

(Amounts in PHP)	2024			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Excellent	3,395,109,135	-	-	3,395,109,135
Strong	55,354,729	-	-	55,354,729
Good	4,548,471,023	-	-	4,548,471,023
Satisfactory	28,288,085,975	-	-	28,288,085,975
Acceptable	55,806,583,787	-	-	55,806,583,787
Watchlist	-	19,449,504,899	388,420,859	19,837,925,758
Classified	-	-	3,125,677,527	3,125,677,527
Substandard	-	-	6,715,880,565	6,715,880,565
Doubtful	-	-	33,183,994	33,183,994
Loss	-	-	106,131,805	106,131,805
Gross amount	92,093,604,649	19,449,504,899	10,369,294,750	121,912,404,298
ECL allowance	(73,264,606)	(696,437,050)	(5,081,022,205)	(5,850,723,861)
Carrying amount	92,020,340,043	18,753,067,849	5,288,272,545	116,061,680,437
Receivables from customers – consumers				
Housing Loans				
Performing	5,068,482,400	-	-	5,068,482,400
Underperforming	-	114,642,524	-	114,642,524
Non-performing	-	-	245,878,211	245,878,211
Gross amount	5,068,482,400	114,642,524	245,878,211	5,429,003,135
ECL allowance	(1,781,020)	(641,123)	(76,279,264)	(78,701,407)
Carrying amount	5,066,701,380	114,001,401	169,598,947	5,350,301,728
Auto Loans				
Performing	1,490,312,036	-	-	1,490,312,036
Underperforming	-	15,081,418	-	15,081,418
Non-performing	-	-	125,886,959	125,886,959
Gross amount	1,490,312,036	15,081,418	125,886,959	1,631,280,413
ECL allowance	(1,447,914)	(257,962)	(110,970,210)	(112,676,086)
Carrying amount	1,488,864,122	14,823,456	14,916,749	1,518,604,327
Salary Loans				
Performing	3,215,755,052	-	-	3,215,755,052
Underperforming	-	89,085,453	-	89,085,453
Non-performing	-	-	191,513,753	191,513,753
Gross amount	3,215,755,052	89,085,453	191,513,753	3,496,354,258
ECL allowance	(19,721,190)	(24,560,810)	(183,951,887)	(228,233,887)
Carrying amount	3,196,033,862	64,524,643	7,561,866	3,268,120,371
Total gross amount	9,774,549,488	218,809,395	563,278,923	10,556,637,806
Total ECL allowance	(22,950,124)	(25,459,895)	(371,201,361)	(419,611,380)
Total Carrying amount	9,751,599,364	193,349,500	192,077,562	10,137,026,426

(Amounts in PHP)	2024			
	Stage 1	Stage 2	Stage 3	Total
Other receivables				
Excellent	503,522,097	-	-	503,522,097
Strong	615,750,289	-	-	615,750,289
Good	23,895,832	-	-	23,895,832
Satisfactory	68,742,050	-	-	68,742,050
Acceptable	131,372,700	-	-	131,372,700
Watchlist	-	51,469,534	963,110	52,432,644
Classified	-	-	8,776,087	8,776,087
Substandard	-	-	71,411,611	71,411,611
Doubtful	-	-	24,750	24,750
Unrated	800,676,253	39,826,857	125,946,914	966,450,024
Gross amount	2,143,959,221	91,296,391	207,122,472	2,442,378,084
ECL allowance	(5,447,743)	(6,137,676)	(153,518,018)	(165,103,437)
Carrying amount	2,138,511,478	85,158,715	53,604,454	2,277,274,647
Debt investment securities at FVOCI				
Gross amount – Excellent	14,326,399,293	-	-	14,326,399,293
ECL allowance**	(16,867,787)	-	-	(16,867,787)
Carrying amount	14,309,531,506	-	-	14,309,531,506

** Reported as part of unrealized fair value gains (losses) (NUGL).

Debt investment securities at amortized cost				
Gross amount – Excellent	1,286,126,848	-	-	1,286,126,848
ECL allowance	(15,777,698)	-	-	(15,777,698)
Carrying amount	1,270,349,150	-	-	1,270,349,150

(Amounts in PHP)	2023			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate*				
Excellent	4,108,936,194	-	-	4,108,936,194
Strong	59,571,000	-	-	59,571,000
Good	9,145,927,330	22,392,232	2,526,366	9,170,845,928
Satisfactory	23,431,562,114	1,252,945,332	-	24,684,507,446
Acceptable	54,036,060,039	443,133,886	-	54,479,193,925
Watchlist	-	7,104,370,717	135,683,778	7,240,054,495
Classified	-	-	9,636,065,218	9,636,065,218
Loss	-	-	396,500	396,500
Gross amount	90,782,056,677	8,822,842,167	9,774,671,862	109,379,570,706
ECL allowance	(155,584,539)	(122,974,833)	(5,281,524,740)	(5,560,084,112)
Carrying amount	90,626,472,138	8,699,867,334	4,493,147,122	103,819,486,594

* Excludes unamortized charges from capitalized commission amounting to P0.3 million

(Amounts in PHP)	2023			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – consumers				
Housing Loans				
Performing	4,175,414,399	-	-	4,175,414,399
Underperforming	-	157,826,766	-	157,826,766
Non-performing	-	-	229,090,692	229,090,692
Gross amount	4,175,414,399	157,826,766	229,090,692	4,562,331,857
ECL allowance	(1,854,067)	(1,375,515)	(44,278,597)	(47,508,179)
Carrying amount	4,173,560,332	156,451,251	184,812,095	4,514,823,678
Auto Loans				
Performing	1,479,567,141	-	-	1,479,567,141
Underperforming	-	17,715,462	-	17,715,462
Non-performing	-	-	167,512,245	167,512,245
Gross amount	1,479,567,141	17,715,462	167,512,245	1,664,794,848
ECL allowance	(997,593)	(166,798)	(19,716,317)	(20,880,708)
Carrying amount	1,478,569,548	17,548,664	147,795,928	1,643,914,140
Salary Loans				
Performing	1,761,963,638	-	-	1,761,963,638
Underperforming	-	47,385,140	-	47,385,140
Non-performing	-	-	92,147,089	92,147,089
Gross amount	1,761,963,638	47,385,140	92,147,089	1,901,495,867
ECL allowance	(9,953,045)	(10,552,121)	(85,928,936)	(106,434,102)
Carrying amount	1,752,010,593	36,833,019	6,218,153	1,795,061,765
Total gross amount	7,416,945,178	222,927,368	488,750,026	8,128,622,572
Total ECL allowance	(12,804,705)	(12,094,434)	(149,923,850)	(174,822,989)
Carrying amount	7,404,140,473	210,832,934	338,826,176	7,953,799,583
Other receivables				
Excellent	5,585,278,230	-	-	5,585,278,230
Strong	3,889	-	-	3,889
Good	25,392,539	36,947	17,895	25,447,381
Satisfactory	69,400,719	674,990	-	70,075,709
Acceptable	158,959,762	1,871,948	142,640	160,974,350
Watchlist	-	21,316,759	90,905,385	112,222,144
Classified	-	-	227,526,672	227,526,672
Gross amount	5,839,035,139	23,900,644	318,592,592	6,181,528,375
ECL allowance	(1,073,360)	(667,533)	(187,520,127)	(189,261,020)
Carrying amount	5,837,961,779	23,233,111	131,072,465	5,992,267,355
Debt investment securities at FVOCI				
Gross amount – Excellent	13,765,424,913	-	-	13,765,424,913
ECL allowance**	(16,867,787)	-	-	(16,867,787)
Carrying amount	13,748,557,126	-	-	13,748,557,126
** Reported as part of unrealized fair value gains (losses) (NUGL).				
Debt investment securities at amortized cost				
Gross amount – Excellent	1,517,034,052	-	-	1,517,034,052
ECL allowance	(15,777,698)	-	-	(15,777,698)
Carrying amount	1,501,256,354	-	-	1,501,256,354

As of December 31, 2024 and 2023, the Bank held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P8,115.3 million and P9,985.7 million, respectively, (see Note 9). The financial assets are held with the BSP and financial institution counterparties that are rated at least BBB to AAA+, based on Standard and Poor's (S&P) ratings.

4.3.3 Concentrations of Credit Risk

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk (gross of allowance) at the reporting date is shown below.

	2024			2023		
<i>(Amounts in thousands PHP)</i>	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities
Finance and insurance	9,313,411	7,195,245	23,168,936	15,047,081	5,679,964	20,681,836
Wholesale and retail trade	-	49,602,164	-	-	42,733,376	-
Real estate activities	-	13,468,754	300,529	-	16,229,449	337,378
Manufacturing	-	15,528,996	1,891,048	-	13,462,005	55,812
Construction	-	17,851,404	-	-	11,585,188	-
Transportation and Storage	-	5,242,346	-	-	5,422,045	669,550
Accommodation and food service activities	-	5,686,901	-	-	4,809,751	320,220
Electricity, gas, steam and air-conditioning supply	-	4,374,963	126,889	-	4,637,011	-
Consumption	-	3,481,168	-	-	3,567,826	-
Water supply, sewerage waste management and remediation activities	-	2,311,234	298,993	-	2,748,564	-
Administrative and support services	-	1,178,146	-	-	1,466,559	-
Agriculture, forestry and fishing	-	1,404,575	-	-	1,367,624	-
Professional, scientific, and technical activities	-	559,154	-	-	1,332,678	-
Mining and quarrying	-	916,599	-	-	988,877	-
Information and communication	-	994,694	-	-	245,135	-
Education	-	314,602	-	-	296,080	-
Human health and social services activities	-	29,024	-	-	34,112	-
Arts, entertainment and recreation	-	46,210	-	-	20,710	-
Household as employers and undifferentiated goods and services and producing activities of households for own use	-	3,331	-	-	3,331	-
Other service activities	-	2,279,532	-	-	878,221	-
	9,313,411	132,469,042	25,786,395	15,047,081	117,508,506	22,064,796

*Cash and cash equivalents include cash and other cash items, due from BSP and other banks, SPURRA, interbank loans and foreign currency notes on hand (see Note 2.3)

** Receivables from customers are reported gross of unearned interests or discounts and excluding unamortized charges from capitalized commission.

4.3.4 Amounts Arising from ECL

At each reporting period, the Bank assesses whether financial assets carried at amortized cost and debt securities carried at FVOCI have significant increase in credit risk (referred to as Stages 2 and 3 financial assets). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using PD, LGD and EAD.

(a) Significant Increase in Credit Risk (SICR)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank assesses the change in the risk of a default occurring over the remaining life of the financial instrument. In making this assessment, the Bank assesses on a periodic basis both the quantitative and qualitative information that is reasonable and supportable, including historical experience as appropriate. For corporate and commercial loans, these may include macroeconomic conditions, economic sector and geographical region relevant to the corporate counterparty or borrower and other factors that are counterparty specific. As the Bank holds various types of financial instruments, the extent of assessment may depend on the materiality of the financial instrument, or the complexity of the portfolio being assessed.

Retail or Consumer Loans

The Bank ECL model follows a three-stage impairment approach in determining the loss allowance to be recognized in the financial statements:

- Stage 1 – comprises of all credit exposures that are considered ‘performing’ and with no observed SICR since initial recognition. These include those financial instruments with low credit risk. For these financial instruments, the loss allowance is determined based on a 12-month ECL. PFRS 9 provides a rebuttable presumption that credit risk is considered to have significantly increased since initial recognition if the contractual payment is more than 30 days past due. The rebuttal must be in consideration of a reasonable and supportable information that is available without undue cost or effort.
- Stage 2 – comprises of all financial instruments assessed to have SICR since initial recognition based on the Bank’s quantitative and qualitative criteria, though not yet deemed to be credit-impaired. Stage 2 includes credit exposures that are considered ‘under-performing’ in which credit risk assessment fall under the Especially Mentioned classification. Stage 2 financial instruments may also include those facilities where the credit risk has improved and have been reclassified from Stage 3 subject to the Bank’s observation period on the creditworthiness of the counterparty. A lifetime ECL is recognized for these financial instruments.

- Stage 3 – comprises credit exposures which are assessed as ‘credit-impaired’, thus considered by the Bank as ‘non-performing’, which is assessed consistently with the Bank’s definition of default. Generally, this includes accounts categorized as Substandard, Doubtful and Loss. The Bank recognizes a lifetime ECL for all credit-impaired financial assets.

Corporate and Commercial Loans

As outlined in PFRS 9, a ‘3-stage’ impairment model was adopted by the Bank based on changes in credit quality since initial recognition of the financial asset. As discussed in Note 2.3(a)(iii), a financial asset that is not credit-impaired on initial recognition is classified as ‘Stage 1’, with credit risk continuously monitored by the Bank as its ECL is measured at an amount equal to the portion of lifetime ECL that results from possible default events within the next 12 months. If an SICR since initial recognition is identified, the classification will be moved to ‘Stage 2’ but is not yet deemed to be credit impaired. Such assessment is based on certain qualitative criteria as follows:

- borrowers with past due accounts over the cure period of 30 days at the effectivity of the cure period policy shall be downgraded to Watchlist Rating.
- borrowers can be upgraded upon completion of the observation period which shall be 12 months from the time of downgrading provided an updated ICRRS has been conducted. The seasoning means that there is no incident of past due even within the cure period.

Generally, watchlist accounts shall be considered as Stage 2 accounts for purposes of provisioning while Classified accounts shall be Stage 3.

Debt Securities at Amortized Cost and at FVOCI

The Bank considers low credit risk for government debt securities and listed corporate debt securities when its credit risk rating is equivalent to a globally understood definition of ‘investment grade’ (which should be from at least one major rating agency); other debt securities are considered to be low credit risk when they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(b) *Definition of Default and Credit-impaired Assets*

Loans and other receivables

Credit-impaired loans and other receivables are those classified as both past due and under Stage 3. The total credit impaired assets under corporate, consumer, and other receivables amounted to P10,369.3 million, P563.3 million, and P207.1 million as of December 31, 2024, and P9,774.6 million, P488.8 million, and P318.6 million, respectively, as of December 31, 2023 (see Note 4.3.8).

The Bank defines a financial asset as in default, which is aligned with the definition of credit-impaired asset, when it meets one or more of the following criteria:

- *Quantitative* – in this criterion, the borrower is more than 30 days past due on its contractual payments.
- *Qualitative* – this includes instances where the borrower is unlikely to pay its obligations and is deemed to be in significant financial difficulty, which include cases of long-term forbearance, borrower's death, insolvency, breach of financial covenant/s, disappearance of active market for that financial instrument because of financial difficulties, and bankruptcy.

These criteria have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. Such definition has been consistently applied in determining PD, EAD, and LGD throughout the ECL calculations of the Bank.

An instrument is considered to have cured when it no longer meets any of the default criteria for six consecutive months. The cure period sets the tolerance period wherein the borrowers are allowed to update the payments. This period was determined based on an analysis which considers the likelihood of a financial instrument returning to default status. The Bank considers verifiable collection experience and reasonable judgment that support the likelihood.

In 2024 and 2023, unsecured and secured loans qualify for write-off when they remained unpaid and outstanding for more than 915 days and 1,825 days, respectively, and upon BOD approval.

Debt Securities

Debt securities are assessed as credit-impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the security (a “loss event”) and that loss event has impact on the estimated future cash flows of the securities. Losses expected as a result of future events, shall also be considered in estimating the ECL. Objective evidence that the security is impaired includes observable data that comes to the attention of the holder of the security about the following loss events:

- significant financial difficulty of the issuer or obligor;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the financial institution, for economic or legal reasons relating to the issuer’s financial difficulty, granting to the issuer a concession that the financial institution would not otherwise consider;
- it becoming probable that the issuer will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that security because of financial difficulties; or,
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of securities since the initial recognition of those assets, although the decrease cannot yet be identified with the individual securities in the portfolio, including adverse change in the payment status of issuers in the portfolio; or national or local economic conditions that correlate with defaults on the securities in the portfolio.

The disappearance of an active market because a financial institution’s held securities are no longer publicly traded is not evidence of impairment. A downgrade of an issuer’s credit rating is not, by itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a security below its cost or amortized cost is not necessarily evidence of impairment (e.g., a decline in fair value of an investment in debt security that results from an increase in the risk-free interest rate)

In making an assessment of whether an investment in government debt securities is credit-impaired, the Bank considers the following factors:

- the market’s assessment of creditworthiness as reflected in the bond yields;
- the rating agencies’ assessment of creditworthiness;
- the country’s ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; or,
- the internal support mechanism in place to provide the necessary support as ‘lender of last resort’ to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

(c) *Key Inputs, Assumptions and Estimation Techniques Used in Measurement of ECL*

The ECL is measured on either a 12-month or lifetime basis depending on whether an SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the PD, LGD, and EAD, which are defined in Note 2.3(a)(iii). The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival i.e., the exposure has not been prepaid or defaulted in an earlier month. This effectively calculates an ECL for each future month, which is then discounted back to and summed up at the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. Such profile is supported by a historical analysis (usually, an observation period of five years).

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For loans with periodic amortization and one-time full payment at end of the term, EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default and may vary by product type. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market or book values due to forced sales, time to repossession and recovery costs observed.

For unsecured loan portfolios, LGD is typically set at portfolio level due to the limited differentiation in recoveries achieved across different borrowers. The LGD is influenced by collection strategies.

The determination of the 12-month and lifetime PD, LGD, and EAD includes the overlay of forward-looking economic information [see Note 4.3.4(d)]. Further, the assumptions underlying the calculation of the ECL, such as how the maturity profile of the PDs and how collateral values change, are monitored and reviewed by the Bank on a quarterly basis.

(d) *Overlay of Forward-looking Information in the Measurement of ECL*

The Bank incorporates forward-looking information (FLI) in its assessment of SICR and calculation of ECL. The Bank has performed historical analysis and has identified the key macroeconomic variables (MEVs) impacting credit risk associated with its borrowers and/or counterparties and the ECL for each portfolio of debt instruments.

The MEVs and their associated impact on the PD, EAD and LGD vary by financial instrument. The Bank formulates forecasts of MEVs (one base economic scenario, and two less likely scenarios – one upside and one downside) and are performed by the Bank's ERMG on a quarterly basis and provide the best estimate view of the economy over the next five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of EAD and LGD.

The base scenario is aligned with information used by the Bank for strategic planning and budgeting. The MEVs considered by the Bank includes economic data and forecasts published by government bodies (e.g., BSP and Philippine Statistics Authority), international organizations (e.g., International Monetary Fund), and certain reputable private and academic organizations involved in forecasting.

Accordingly, the Bank has identified key drivers for credit risk for its corporate loans portfolio which include gross domestic product, interest rate, consumer price index, general wholesale price index, money supply, and inflation rate. The analysis of these scenarios takes into account the range of possible outcomes that each chosen scenario is representative of. The assessment of SICR is performed using the lifetime PD under each scenario, multiplied by the associated scenario weight, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3, hence, whether a 12-month or lifetime ECL should be recorded.

Following this assessment, the Bank measures ECL as either a probability-weighted 12-month ECL (Stage 1), or a probability-weighted lifetime ECL (Stages 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weights.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different to those projections. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Bank's different product types to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Management has also considered other FLI not incorporated within the above economic scenarios, such as any regulatory, legislative, or political changes, but are not deemed to have a significant impact on the calculation of ECL.

(e) *Collective Basis of Measurement of ECL*

For modelling ECL parameters which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as instrument, product type (auto loans, housing loans, etc.), repayment scheme, industry type, remaining life to maturity, and geographical locations of the borrowers and/or counterparties.

The groups are subject to regular review by the Bank's ERMG in order to ensure that credit exposures within a particular group remain appropriately homogenous.

4.3.5 Modifications of Financial Assets

(a) *Financial Reliefs Provided by the Bank*

In certain cases, the Bank modifies the terms of the loans provided to the borrowers due to commercial renegotiations, or for distressed loans, with a view of maximizing recovery of the contractual amount of obligation that the Bank is owed to. Restructuring policies and practices are based on indicators or criteria which, in the management's judgment, indicate that payment will most likely continue. Such policies are continuously reviewed and updated as necessary. Restructuring is most commonly applied to term or corporate loans.

Previously, in addition to the government-mandated reliefs, the Bank has also offered financial relief in response to the COVID-19 situation. The following relief measures were granted to eligible customers:

- payment of amortization relief including extension of contractual terms;
- principal and interest relief including lower amortization on extended terms; and,
- change from loan line to term loan (i.e., consolidation of amounts due).

The remaining outstanding balance of restructured loans from these relief measures amounted to P5,216.9 million and P4,505.4 million as of December 31, 2024 and 2023, respectively. The related allowance for credit loss of such loans amounted to P628.7 million and P494.5 million as of the same dates, respectively. Of the total outstanding restructured loans as of December 31, 2024, and 2023, P1,450.8 million and P2,148.9 million, respectively, are due to impact of COVID-19 situation.

(b) *Assessment of SICR*

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the performance of the financial asset subsequent to its modification. The Bank may determine that the credit risk has significantly improved after restructuring (in accordance with the new terms for six consecutive months or more), so that the assets are moved from Stage 3 or Stage 2.

The Bank continues to monitor if there is a subsequent SICR in relation to such modified assets through the use of specific models for modified assets.

4.3.6 Credit Risk Exposures

The Bank's maximum exposure to credit risk is equal to the carrying value of its financial assets, except for certain secured loans and receivables from customers, as shown below.

<i>(Amounts in PHP)</i>	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
2024				
Loans and discounts				
Corporate	121,912,404,298	135,889,970,539	-	121,912,404,298
Consumer	10,556,637,806	17,646,080,077	-	10,556,637,806
Other receivables	2,442,378,084	53,919,219	2,388,458,865	53,919,219
	134,911,420,188	153,589,969,835	2,388,458,865	132,522,961,323
2023				
Loans and discounts				
Corporate	109,379,570,706	113,289,469,781	-	109,379,570,706
Consumer	8,131,622,572	15,775,874,384	-	8,131,622,572
Other receivables	6,181,528,375	99,301,875	6,082,226,500	99,301,875
	123,692,721,653	129,164,646,040	6,082,226,500	117,610,495,153

An analysis of the maximum credit risk exposure relating to Stage 3 financial assets as of December 31, 2024 and 2023 is shown below.

<i>(Amounts in PHP)</i>	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
2024				
Loans and discounts				
Corporate	10,369,294,750	11,325,896,959	-	10,369,294,750
Consumer	563,278,923	4,113,225,638	-	563,278,923
Other receivables	207,122,472	8,679,219	198,443,253	8,679,219
	11,139,696,145	15,447,801,816	198,443,253	10,941,252,892
2023				
Loans and discounts				
Corporate	9,774,671,862	7,685,311,480	2,089,360,382	7,685,311,480
Consumer	488,750,026	4,097,216,064	-	488,750,026
Other receivables	318,592,592	23,567,113	295,025,479	23,567,113
	10,582,014,480	11,806,094,657	2,384,385,861	8,197,628,619

The following table sets out the gross carrying amounts of the exposures to credit risk on financial assets with low credit risk measured at amortized cost and debt securities at FVOCI as of December 31:

<i>(Amounts in PHP)</i>	Notes	2024	2023
Cash and cash equivalents	9, 11	9,313,411,461	15,047,080,855
Debt securities:			
At FVOCI	10.2	14,326,399,293	13,765,424,913
At amortized cost	10.3	1,286,126,848	1,517,034,052
		15,612,526,141	15,282,458,965
		24,925,937,602	30,329,539,820

Cash and cash equivalents include loans and advances to banks (i.e., Due from BSP, Due from Other Banks, SPURRA, Interbank Loans and Foreign currency coins and notes on hand).

Debt securities includes government and corporate bonds. These are held by the BSP, financial institutions and other counterparties that are reputable and with low credit risk. Corresponding allowance for ECL is shown in Note 4.3.7.

4.3.7 Allowance for Expected Credit Loss

The following tables show the reconciliation of the loss allowance for ECL by class of financial instruments at the beginning and end of 2024 and 2023:

(Amounts in PHP)	2024			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	155,584,539	122,974,833	5,281,524,740	5,560,084,112
Transfers to:				
Stage 1	2,567,912	(455,652)	(2,112,260)	-
Stage 2	(8,517,308)	30,616,448	(22,099,140)	-
Stage 3	(13,969,128)	(12,851,094)	26,820,222	-
Net remeasurement of loss allowance	(47,957,620)	90,286,255	12,417,418	54,746,053
New financial assets originated	49,718,424	606,926,218	591,706,530	1,248,351,172
Derecognition of financial assets	(64,162,213)	(141,059,958)	(404,111,177)	(609,333,348)
Write-offs	-	-	(403,124,128)	(403,124,128)
Balance at December 31	73,264,606	696,437,050	5,081,022,205	5,850,723,861
Receivables from customers – consumer				
Balance at January 1	12,804,705	12,094,434	149,923,850	174,822,989
Transfers to:				
Stage 1	1,652,864	(1,327,385)	(325,479)	-
Stage 2	(492,869)	1,800,108	(1,307,239)	-
Stage 3	(1,587,009)	(5,349,543)	6,936,552	-
Net remeasurement of loss allowance	700,251	4,707,622	337,310,510	342,718,383
New financial assets originated	17,132,252	17,457,767	39,803,863	74,393,882
Derecognition of financial assets	(7,260,070)	(3,923,108)	(46,289,295)	(57,472,473)
Write-offs	-	-	(114,851,401)	(114,851,401)
Balance at December 31	22,950,124	25,459,895	371,201,361	419,611,380
Other receivables				
Balance at January 1	1,073,360	667,533	187,520,127	189,261,020
Transfers to:				
Stage 1	30,234	(21,334)	(8,900)	-
Stage 2	(36,611)	372,401	(335,790)	-
Stage 3	(160,810)	(119,430)	280,240	-
Net remeasurement of loss allowance	(1,921,121)	1,868,703	(20,109,778)	(20,162,196)
New financial assets originated	6,991,351	4,694,684	1,105,693	12,791,728
Derecognition of financial assets	(528,660)	(1,324,881)	(12,850,007)	(14,703,548)
Write-offs	-	-	(2,083,567)	(2,083,567)
Balance at December 31	5,447,743	6,137,676	153,518,018	165,103,437
Debt investment securities at FVOCI				
Balance at January 1	16,867,787	-	-	16,867,787
Net remeasurement of loss allowance	-	-	-	-
Balance at December 31	16,867,787	-	-	16,867,787
Debt investment securities at amortized cost				
Balance at January 1	15,777,698	-	-	15,777,698
Net remeasurement of loss allowance	-	-	-	-
Balance at December 31	15,777,698	-	-	15,777,698

(Amounts in PHP)	2023			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	63,259,792	81,520,286	4,496,231,984	4,641,012,062
Transfers to:				
Stage 1	344,404	(343,428)	(976)	-
Stage 2	(17,243,241)	17,496,611	(253,370)	-
Stage 3	(251,732,733)	(244,851,236)	496,583,969	-
Net remeasurement of loss allowance	327,385,343	246,162,210	101,732,442	675,279,995
New financial assets originated	74,804,498	72,806,306	667,844,541	815,455,345
Derecognition of financial assets	(41,233,524)	(49,815,916)	(480,613,850)	(571,663,290)
Balance at December 31	<u>155,584,539</u>	<u>122,974,833</u>	<u>5,281,524,740</u>	<u>5,560,084,112</u>
Receivables from customers – consumer				
Balance at January 1	11,880,860	13,681,442	150,779,178	176,341,480
Transfers to:				
Stage 1	305,560	(203,451)	(102,109)	-
Stage 2	(4,126,993)	4,421,623	(294,630)	-
Stage 3	(26,685,770)	(9,049,171)	35,734,941	-
Net remeasurement of loss allowance	29,857,895	(193,147)	134,049,352	163,714,100
New financial assets originated	7,004,263	7,999,719	16,591,191	31,595,173
Derecognition of financial assets	(5,431,110)	(4,562,581)	(83,652,571)	(93,646,262)
Write-offs	-	-	(103,181,502)	(103,181,502)
Balance at December 31	<u>12,804,705</u>	<u>12,094,434</u>	<u>149,923,850</u>	<u>174,822,989</u>
Other receivables				
Balance at January 1	7,134,532	1,395,690	166,919,306	175,449,528
Transfers to:				
Stage 1	3,432	(2,944)	(488)	-
Stage 2	(60,307)	65,683	(5,376)	-
Stage 3	(3,786,181)	(1,293,122)	5,079,303	-
Net remeasurement of loss allowance	(2,298,760)	84,557	23,468,070	21,253,867
New financial assets originated	184,805	561,763	1,081,825	1,828,393
Derecognition of financial assets	(104,161)	(144,094)	(4,191,904)	(4,440,159)
Write-offs	-	-	(4,830,609)	(4,830,609)
Balance at December 31	<u>1,073,360</u>	<u>667,533</u>	<u>187,520,127</u>	<u>189,261,020</u>
Debt investment securities at FVOCI				
Balance at January 1	10,793,644	-	-	10,793,644
Net remeasurement of loss allowance	<u>6,074,143</u>	-	-	<u>6,074,143</u>
Balance at December 31	<u>16,867,787</u>	-	-	<u>16,867,787</u>
Debt investment securities at amortized cost				
Balance at January 1	13,299,092	-	-	13,299,092
Net remeasurement of loss allowance	<u>2,478,606</u>	-	-	<u>2,478,606</u>
Balance at December 31	<u>15,777,698</u>	-	-	<u>15,777,698</u>

4.3.8 Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

The table below and in the succeeding page provides information on how the significant changes in the gross carrying amounts (i.e., gross of unamortized charges and unearned discount) of financial instruments in 2024 and 2023 contributed to the changes in the allowance for ECL.

(Amounts in PHP)	2024			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	90,782,056,677	8,822,842,167	9,774,671,862	109,379,570,706
Transfers to:				
Stage 1	81,078,704	(68,377,256)	(12,701,448)	-
Stage 2	(7,777,524,090)	7,910,410,705	(132,886,615)	-
Stage 3	(1,283,135,231)	(636,770,804)	1,919,906,035	-
New financial assets originated	65,519,805,104	9,017,408,272	2,270,254,819	76,807,468,195
Derecognition of financial assets	(55,228,676,515)	(5,596,008,185)	(3,046,825,775)	(63,871,510,475)
Write-offs	-	-	(403,124,128)	(403,124,128)
Balance at December 31	92,093,604,649	19,449,504,899	10,369,294,750	121,912,404,298
Receivables from customers – consumer				
Balance at January 1	7,416,945,178	222,927,368	488,750,026	8,128,622,572
Transfers to:				
Stage 1	35,569,829	(32,321,287)	(3,248,542)	-
Stage 2	(107,704,721)	109,328,265	(1,623,544)	-
Stage 3	(151,382,981)	(83,482,706)	234,865,687	-
New financial assets originated	5,175,537,746	78,670,263	52,088,868	5,306,296,877
Derecognition of financial assets	(2,594,415,563)	(76,312,508)	(92,702,171)	(2,763,430,242)
Write-offs	-	-	(114,851,401)	(114,851,401)
Balance at December 31	9,774,549,488	218,809,395	563,278,923	10,556,637,806
Other receivables				
Balance at January 1	5,839,035,139	23,900,644	318,592,592	6,181,528,375
Transfers to:				
Stage 1	606,027	(507,842)	(98,185)	-
Stage 2	(28,903,865)	30,831,561	(1,927,696)	-
Stage 3	(9,617,024)	(2,470,995)	12,088,019	-
New financial assets originated	777,850,401	54,850,825	3,923,119	836,624,345
Derecognition of financial assets	(4,435,011,457)	(15,307,802)	(123,371,810)	(4,573,691,069)
Write-offs	-	-	(2,083,567)	(2,083,567)
Balance at December 31	2,143,959,221	91,296,391	207,122,472	2,442,378,084
Debt investment securities at FVOCI				
Balance at January 1	13,765,424,913	-	-	13,765,424,913
New financial assets purchased	1,555,351,731	-	-	1,555,351,731
Fair value gains	(6,099,697)	-	-	(6,099,697)
Disposals, maturities, and redemptions	(1,031,380,000)	-	-	(1,031,380,000)
Foreign currency revaluation	93,231,689	-	-	93,231,689
Amortization of premium	(50,129,343)	-	-	(50,129,343)
Balance at December 31	14,326,399,293	-	-	14,326,399,293
Debt investment securities at amortized cost				
Balance at January 1	1,517,034,052	-	-	1,517,034,052
New financial assets purchased	230,974,346	-	-	230,974,346
Maturities	(503,687,237)	-	-	(503,687,237)
Amortization of discount	41,805,687	-	-	41,805,687
Balance at December 31	1,286,126,848	-	-	1,286,126,848

(Amounts in PHP)	2023			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	81,561,708,056	7,473,106,632	8,385,135,450	97,419,950,138
Transfers to:				
Stage 1	423,691,020	(421,078,878)	(2,612,142)	-
Stage 2	(1,642,243,763)	1,701,319,128	(59,075,365)	-
Stage 3	(477,652,949)	(770,413,311)	1,248,066,260	-
New financial assets originated	64,938,730,784	3,757,578,405	1,524,017,165	70,220,326,354
Derecognition of financial assets	(54,022,176,471)	(2,917,669,809)	(1,320,859,506)	(58,260,705,786)
Balance at December 31	90,782,056,677	8,822,842,167	9,774,671,862	109,379,570,706
Receivables from customers – consumer				
Balance at January 1	6,327,117,445	184,505,682	629,095,010	7,140,718,137
Transfers to:				
Stage 1	59,534,081	(4,767,213)	(54,766,868)	-
Stage 2	(108,598,128)	133,865,625	(25,267,497)	-
Stage 3	(63,306,956)	(16,638,775)	79,945,731	-
New financial assets originated	3,356,882,265	38,022,443	17,964,646	3,412,869,354
Derecognition of financial assets	(2,154,683,529)	(112,060,394)	(55,039,494)	(2,321,783,417)
Write-offs	-	-	(103,181,502)	(103,181,502)
Balance at December 31	7,416,945,178	222,927,368	488,750,026	8,128,622,572
Other receivables				
Balance at January 1	3,072,165,080	19,283,804	599,492,783	3,690,941,667
Transfers to:				
Stage 1	303,284	(168,500)	(134,784)	-
Stage 2	(14,176,712)	14,683,895	(507,183)	-
Stage 3	(7,227,726)	(6,913,263)	14,140,989	-
New financial assets originated	5,140,568,216	5,032,673	3,184,994	5,148,785,883
Derecognition of financial assets	(2,352,597,003)	(8,017,965)	(292,753,598)	(2,653,368,566)
Write-offs	-	-	(4,830,609)	(4,830,609)
Balance at December 31	5,839,035,139	23,900,644	318,592,592	6,181,528,375
Debt investment securities at FVOCI				
Balance at January 1	10,820,216,925	-	-	10,820,216,925
New financial assets purchased	2,795,028,683	-	-	2,795,028,683
Fair value gains	539,514,930	-	-	539,514,930
Disposals, maturities, and redemptions	(325,000,000)	-	-	(325,000,000)
Foreign currency revaluation	(33,093,390)	-	-	(33,093,390)
Amortization of premium	(31,242,235)	-	-	(31,242,235)
Balance at December 31	13,765,424,913	-	-	13,765,424,913
Debt investment securities at amortized cost				
Balance at January 1	1,138,759,769	-	-	1,138,759,769
New financial assets purchased	869,329,792	-	-	869,329,792
Maturities	(547,450,082)	-	-	(547,450,082)
Amortization of discount	56,394,573	-	-	56,394,573
Balance at December 31	1,517,034,052	-	-	1,517,034,052

4.3.9 Collateral Held as Security and Other Credit Enhancements

The Bank holds collateral against loans and advances to customers in the form of hold-out deposits, real estate mortgage, standby letters of credit or bank guaranty, government guaranty, chattel mortgage, assignment of receivables, pledge of equity securities, personal and corporate guaranty and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually.

Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of repurchase and securities borrowing arrangements. Collateral is not usually held against trading and investment securities, and no such collateral was held as of December 31, 2024 and 2023.

The estimated fair value of collateral and other security enhancements held against the loan portfolio as of December 31, 2024 and 2023 are presented below.

<i>(Amounts in PHP)</i>	Stage 1	Stage 2	Stage 3	Total
<u>2024</u>				
Real properties	98,632,466,804	20,848,593,637	12,831,144,009	132,312,204,450
Chattel	6,614,012,263	3,059,536,607	2,468,467,769	12,142,016,639
Hold-out deposits	8,844,482,264	143,076,444	148,190,038	9,135,748,746
	<u>114,090,961,331</u>	<u>24,051,206,688</u>	<u>15,447,801,816</u>	<u>153,589,969,835</u>
<u>2023</u>				
Real properties	88,340,626,527	14,621,341,606	10,080,639,091	113,042,607,224
Chattel	7,380,928,491	3,052,303,559	1,618,112,593	12,051,344,643
Hold-out deposits	3,836,091,701	127,259,499	107,342,973	4,070,694,173
	<u>99,557,646,719</u>	<u>17,800,904,664</u>	<u>11,806,094,657</u>	<u>129,164,646,040</u>

As of December 31, 2024 and 2023, the Bank has recognized certain properties arising from foreclosures in settlement of loan account amounting to P607.8 million and P427.6 million, respectively (see Note 13).

The Bank's manner of disposing of the collateral for impaired loans and receivables is normally through the sale of these assets after foreclosure proceedings have taken place. The Bank does not generally use the non-cash collateral for its own operations.

There were no changes in the Bank's collateral policies in 2024 and 2023.

4.3.10 Write-Offs

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include: cessation of enforcement activity; and, where the Bank's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off.

The Bank may write-off financial assets that are still subject to enforcement activity. The total financial assets written-off in 2024 and 2023 amounted to P520.1 million and P108.0 million, respectively (see Note 26). The Bank still seeks to recover amounts legally owed in full, but which have been partially written-off due to lack of reasonable expectation of full recovery.

4.3.11 Maximum Exposure to Credit Risk of Financial Instruments not Subject to Impairment

The following table contains analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e., FVTPL):

<i>(Amounts in thousand PHP)</i>	<u>2024</u>	<u>2023</u>
Government securities	9,303,123,574	5,088,833,858
Corporate debt securities	870,645,051	1,693,383,272
Derivative financial assets	-	119,988
	<u>10,173,768,625</u>	<u>6,782,337,118</u>

4.3.12 Sensitivity Analysis on ECL Measurement

Set out below are the changes in the Bank's ECL as of December 31, 2024 and 2023 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions.

<i>(Amounts in PHP)</i>		<u>Impact on ECL Allowance</u>	
	<u>Change in MEV assumption +/-1%</u>	<u>Increase in assumption</u>	<u>Decrease in assumption</u>
<u>2024</u>			
Corporate Loans	PPP rate, CPI rate, Money supply, GWPI rate and Inflation rate	7,296,161	(7,296,161)
Housing Loans	CPI rate and Money supply	24,028	(24,028)
Auto Loans	Inflation rate and CPI rate	17,106	(17,106)
Salary Loans	PPP, CPI rate and Inflation rate	412,679	(412,679)
<u>2023</u>			
Corporate Loans	PPP rate, CPI rate, Money supply, GWPI rate and Inflation rate	38,455,724	(38,455,724)
Housing Loans	CPI rate and Money supply	2,882,657	(2,882,657)
Auto Loans	Inflation rate and CPI rate	1,070,512	(1,070,512)
Salary Loans	CPI rate	5,850,446	(5,850,446)

4.4 Market Risk

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

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

(a) Foreign Currency Risk

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

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

The breakdown of the financial assets and financial liabilities as to foreign currency (translated into Philippine pesos) and Philippine peso-denominated balances as of December 31, 2024 and 2023 are presented below and in the succeeding page.

<i>(Amounts in thousands PHP)</i>	2024		
	Foreign Currency	Philippine Peso	Total
<i>Financial Assets:</i>			
Cash and other cash items	-	1,177,795	1,177,795
Due from BSP	-	2,881,094	2,881,094
Due from other banks	1,697,389	2,359,065	4,056,454
Trading and investment securities at:			
FVTPL	2,059,598	8,114,171	10,173,769
FVOCI	1,865,287	12,461,112	14,326,399
Amortized cost	728,847	541,502	1,270,349
Loans and other receivables – net	1,217,521	127,054,617	128,272,138
Other resources	82,379	57,562	139,941
	7,651,021	154,646,918	162,297,939
<i>Financial Liabilities:</i>			
Deposit liabilities	7,273,090	131,821,189	139,094,279
Bills payable	-	4,562,500	4,562,500
Accrued expenses and other liabilities	46,350	3,811,372	3,857,722
	7,319,440	140,195,061	147,514,501

(Amounts in thousands PHP)	2023		
	Foreign Currency	Philippine Peso	Total
<i>Financial Assets:</i>			
Cash and other cash items	-	1,316,781	1,316,781
Due from BSP	-	4,498,604	4,498,604
Due from other banks	1,679,002	2,491,278	4,170,280
Trading and investment securities at:			
FVTPL	2,488,817	4,293,520	6,782,337
FVOCI	2,118,359	11,647,066	13,765,425
Amortized cost	973,959	527,297	1,501,256
Loans and other receivables – net	727,476	116,836,460	117,563,936
Other resources	68,819	46,487	115,306
	<u>8,056,432</u>	<u>141,657,493</u>	<u>149,713,925</u>
<i>Financial Liabilities:</i>			
Deposit liabilities	7,655,681	119,063,035	126,718,716
Bills payable	-	4,750,000	4,750,000
Accrued expenses and other liabilities	<u>8,164</u>	<u>4,481,268</u>	<u>4,489,432</u>
	<u>7,663,845</u>	<u>128,294,303</u>	<u>135,958,148</u>

(b) *Interest Rate Risk*

Interest rate risk is the probability of decline in net interest earnings as a result of an adverse movement of interest rates.

In measuring interest rate exposure from an earnings perspective, the Bank calculates the Earnings at Risk (EAR) to determine the impact of interest rate changes on the Bank's accrual portfolio. The EAR is the potential decline in net interest income due to the adverse movement in interest rates. To quantify interest rate exposure, the statement of financial position is first classified into interest rate sensitive and non-interest rate sensitive asset and liability accounts and then divided into pre-defined interest rate sensitivity gap tenor buckets with corresponding amounts slotted therein based on the term to next re-pricing date (the re-pricing maturity for floating rate accounts) and remaining term to maturity (the equivalent re-pricing maturity for fixed rate accounts). The rate sensitivity gaps are calculated for each time band and on a cumulative basis. The gap amount for each bucket is multiplied by an assumed change in interest rate to determine EAR.

The rate sensitivity gaps are calculated for each time band and on a cumulative basis. The gap amount for each bucket is multiplied by an assumed change in interest rate to determine EAR. A negative interest rate sensitivity gap position implies that EAR increases with a rise in interest rates, while a positive interest rate sensitivity gap results in a potential decline in net interest rate income as interest rates fall. To supplement the EAR, the Bank regularly employs sensitivity analysis on the Bank's interest rate exposure.

To mitigate interest rate risk, the Bank follows a prudent policy on managing resources and liabilities so as to ensure that exposure to interest rate risk is kept within acceptable levels. The BOD has also approved the EAR Limit which is reviewed regularly.

The analyses of the groupings of resources, liabilities, capital funds and off-book financial position items as of December 31, 2024 and 2023 based on the expected interest realization or recognition are as follows:

(Amounts in thousands PHP)	2024					Total
	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Non-rate Sensitive	
Resources						
Cash and other cash items	-	-	-	-	1,177,795	1,177,795
Due from BSP	2,250,000	-	-	-	631,094	2,881,094
Due from other banks	313,834	-	-	-	3,742,620	4,056,454
Trading and investment securities	-	215	1,154,388	14,459,894	10,156,020	25,770,517
Loans and other receivables – net	84,254,505	13,942,762	7,556,133	22,518,738	-	128,272,138
Other resources*	-	-	-	-	5,833,668	5,833,668
Total Resources	86,818,339	13,942,977	8,710,521	36,978,632	21,541,197	167,991,666
Liabilities and Equity:						
Deposit liabilities	54,966,930	20,514,481	7,673,455	2,631,275	53,308,138	139,094,279
Bills payable	4,500,000	62,500	-	-	-	4,562,500
Accrued expenses and other liabilities	35,144	34,969	124,223	-	4,780,059	4,974,395
Total Liabilities	59,502,074	20,611,950	7,797,678	2,631,275	58,088,197	148,631,174
Equity	-	-	-	-	19,360,492	19,360,492
Total Liabilities and Equity	59,502,074	20,611,950	7,797,678	2,631,275	77,448,689	167,991,666
On-books Gap	27,316,265	(6,668,973)	912,843	34,347,357	(55,907,492)	-
Cumulative On-books Gap	27,316,265	20,647,292	21,560,135	55,907,492	-	-
Contingent Resources	-	-	-	-	-	-
Contingent Liabilities	-	-	-	-	-	-
Off-books Gap	-	-	-	-	-	-
Net Periodic Gap	27,316,265	(6,668,973)	912,843	34,347,357	(55,907,492)	-
Cumulative Total Gap	27,316,265	20,647,292	21,560,135	55,907,492	-	-

* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.

(Amounts in thousands PHP)	2023					
	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Non-rate Sensitive	Total
Resources						
Cash and other cash items	-	-	-	-	1,316,781	1,316,781
Due from BSP	3,700,000	-	-	-	798,604	4,498,604
Due from other banks	668,925	-	-	-	3,501,355	4,170,280
Trading and investment securities	34,990	249,594	1,137,680	13,862,509	6,764,245	22,049,018
Loans and other receivables – net	77,025,795	18,207,159	8,727,272	19,126,382	(5,522,672)	117,563,936
Other resources*	-	-	-	-	4,815,835	4,815,835
Total Resources	81,429,710	18,456,753	9,864,952	32,988,891	11,674,148	154,414,454
Liabilities and Equity:						
Deposit liabilities	40,362,989	20,477,993	10,140,059	2,770,018	52,967,657	126,718,716
Bills payable	-	3,500,000	1,250,000	-	-	4,750,000
Accrued expenses and other liabilities	326,500	-	-	-	4,604,775	4,931,275
Total Liabilities	40,689,489	23,977,993	11,390,059	2,770,018	57,572,432	136,399,991
Equity	-	-	-	-	18,014,463	18,014,463
Total Liabilities and Equity	40,689,489	23,977,993	11,390,059	2,770,018	75,586,895	154,414,454
On-books Gap	40,740,221	(5,521,240)	(1,525,107)	30,218,873	(63,912,747)	-
Cumulative On-books Gap	40,740,221	35,218,981	33,693,874	63,912,747	-	-
Contingent Resources	-	-	-	-	-	-
Contingent Liabilities	-	-	-	-	-	-
Off-books Gap	-	-	-	-	-	-
Net Periodic Gap	40,740,221	(5,521,240)	(1,525,107)	30,218,873	(63,912,747)	-
Cumulative Total Gap	40,740,221	35,218,981	33,693,874	63,912,747	-	-

* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.

(c) *Price Risk*

In measuring the magnitude of exposures related to the Bank's trading portfolio arising from holding of government and other debt securities, the Bank employs VaR methodology. VaR is an estimate of the amount of loss that a given risk exposure is unlikely to exceed during a given time period, at a given level of statistical confidence. Analytically, VaR is the product of: (a) the sensitivity of the market value of the position to movement of the relevant market risk factors, and (b) the volatility of the market risk factor for the given time horizon at a specified level of statistical confidence. Typically, the Bank uses a 99% confidence level for this measurement, i.e., losses could exceed the VaR in one out of 100 trading days.

In calculating the severity of the market risk exposure for fixed income securities, the Bank takes into account the cash flow weighted term or modified duration of the securities comprising the portfolio, the yield to maturity, and mark-to-market value of the component securities position in the trading book. As the VaR methodology requires a minimum historical period of reckoning with market movements from a transparent discovery platform, the Bank uses yield and price data from Bloomberg in the calculation of the volatility of rates of return and security prices, consistent with BSP valuation guidelines.

In assessing market risk, the Bank scales the calculated VaR based on assumed defeasance or holding periods that range from one day and ten days consistent with best practices and BSP standards.

As a prudent market risk control and compliance practice, the BOD has approved a market risk limit system which includes: (i) VaR limit on a per instrument and portfolio; (ii) loss limit on per investment portfolio, (iii) off-market rate limits on per instrument type; and (iv) holding period for investment securities.

In recognition of the limitations of VaR related to the assumptions on which the model is based, the Bank supplements the VaR with a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position.

The following table shows the VaR position and ranges of the Bank's financial assets at FVTPL and at FVOCI portfolios as of December 31:

<i>(Amounts in thousands PHP)</i>	<u>2024</u>	<u>2023</u>
<u>VaR Position:</u>		
Financial assets at FVTPL	10,173,769	6,782,337
Financial assets at FVOCI	14,326,399	13,759,351
<u>VaR Position:</u>		
Minimum	126,983	111,809
Maximum	192,037	189,042
Average	160,141	142,355

Stress test on the December 31, 2024 and 2023 portfolio shows the potential impact on profit and capital funds of parallel increase in interest rates of financial assets at FVTPL and at FVOCI as follows:

<i>(Amounts in thousands PHP)</i>				
2024				
<u>Currency</u>	<u>Current Market Value</u>	<u>Sensitivities</u>		
		<u>+100 bps</u>	<u>+300 bps</u>	<u>+500 bps</u>
Philippine peso	20,575,283	(986,045)	(2,958,134)	(4,930,224)
US dollar	<u>3,924,885</u>	<u>(430,626)</u>	<u>(1,291,878)</u>	<u>(2,153,131)</u>
Total	<u>24,500,168</u>	<u>(1,416,671)</u>	<u>(4,250,012)</u>	<u>(7,083,355)</u>
2023				
<u>Currency</u>	<u>Current Market Value</u>	<u>Sensitivities</u>		
		<u>+100 bps</u>	<u>+300 bps</u>	<u>+500 bps</u>
Philippine peso	15,934,511	(681,555)	(2,044,664)	(3,407,773)
US dollar	<u>4,607,177</u>	<u>(410,826)</u>	<u>(1,232,479)</u>	<u>(2,054,131)</u>
Total	<u>20,541,688</u>	<u>(1,092,381)</u>	<u>(3,277,143)</u>	<u>(5,461,904)</u>

(d) *Liquidity Risk*

Liquidity risk is the risk to income and capital as a result of the Bank failing its commitment for funds as they fall due. The Bank manages its liquidity risk through the management's monitoring of various liquidity ratios, Treasury's weekly and regular assessment of liquidity gaps, and the maturity ladder.

A maturity ladder relates the inflows to outflows of funds at selected maturity dates and is constructed to measure liquidity exposure. The ladder shows the Bank's statement of financial position distributed into tenor buckets across the term structure on the basis of the term to final maturity or cash flow dates. The amount of net inflows which equals the difference between the amounts of contractually maturing assets (inflows) and liabilities (outflows) is computed per tenor bucket and on a cumulative basis incorporating certain behavioral and hypothetical assumptions regarding the flows from assets and liabilities including contingent commitments over time. The calculated periodic and cumulative gaps constitute the Bank's run off schedule, which indicate the Bank's net funding requirements in local and foreign currency.

To control liquidity gap risks, a quantitative ceiling to the net outflow of funds of the Bank called Maximum Cumulative Outflow (MCO) limit is observed per currency based on the recommendation of management, which model and assumptions are reviewed by the Asset and Liability Committee (ALCO) and the ROC prior to the confirmation by the BOD.

The analysis of the cash flow gap analysis of resources, liabilities, capital funds and off-book financial position items as of December 31, 2024 and 2023 are presented below and in the succeeding page.

(Amounts in thousands PHP)	2024				Total
	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	
Resources					
Cash and other cash items	1,177,795	-	-	-	1,177,795
Due from BSP	2,250,000	-	-	631,094	2,881,094
Due from other banks	4,056,454	-	-	-	4,056,454
Trading and investment securities	10,174,032	215	1,154,388	14,441,882	25,770,517
Loans and other receivables – net	4,725,168	6,052,119	16,841,290	100,653,561	128,272,138
Other resources*	3,512,817	825	3,572	2,316,454	5,833,668
Total Resources	25,896,266	6,053,159	17,999,250	118,042,991	167,991,666
Liabilities and Equity:					
Deposit liabilities	13,987,179	3,635,835	5,860,108	115,611,157	139,094,279
Bills payable	4,500,000	62,500	-	-	4,562,500
Accrued expenses and other liabilities	2,977,942	1,414,009	582,444	-	4,974,395
Total Liabilities	21,465,121	5,112,344	6,442,552	115,611,157	148,631,174
Equity	-	-	-	19,360,492	19,360,492
Total Liabilities and Equity	21,465,121	5,112,344	6,442,552	134,971,649	167,991,666
On-books Gap	4,431,145	940,815	11,556,698	(16,928,658)	-
Cumulative On-books Gap	4,431,145	5,371,960	16,928,658	-	-
Contingent Resources	-	-	-	-	-
Contingent Liabilities	198,690	11,442	-	-	210,132
Off-books Gap	(198,690)	(11,442)	-	-	(210,132)
Net Periodic Gap	4,232,455	929,373	11,556,698	(16,928,658)	(210,132)
Cumulative Total Gap	4,232,455	5,161,828	16,718,526	(210,132)	-

* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.

(Amounts in thousands PHP)	2023				
	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Total
Resources					
Cash and other cash items	1,316,781	-	-	-	1,316,781
Due from BSP	3,700,000	-	-	798,604	4,498,604
Due from other banks	4,170,280	-	-	-	4,170,280
Trading and investment securities	6,842,650	249,594	1,137,680	13,819,094	22,049,018
Loans and other receivables – net	7,340,976	5,715,087	15,521,436	88,986,437	117,563,936
Other resources*	3,547,606	1,127	4,777	1,262,325	4,815,835
Total Resources	26,918,293	5,965,808	16,663,893	104,866,460	154,414,454
Liabilities and Equity:					
Deposit liabilities	12,164,557	3,796,086	6,927,853	103,830,220	126,718,716
Bills payable	-	3,500,000	1,250,000	-	4,750,000
Accrued expenses and other liabilities	3,273,825	1,596,507	60,943	-	4,931,275
Total Liabilities	15,438,382	8,892,593	8,238,796	103,830,220	136,399,991
Equity	-	-	-	18,014,463	18,014,463
Total Liabilities and Equity	15,438,382	8,892,593	8,238,796	121,844,683	154,414,454
On-books Gap	11,479,911	(2,926,785)	8,425,097	(16,978,223)	-
Cumulative On-books Gap	11,479,911	8,553,126	16,978,223	-	-
Contingent Resources	-	-	-	-	-
Contingent Liabilities	-	-	-	-	-
Off-books Gap	-	-	-	-	-
Net Periodic Gap	11,479,911	(2,926,785)	8,425,097	(16,978,223)	-
Cumulative Total Gap	11,479,911	8,553,126	16,978,223	-	-

* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.

The MCO measures the maximum funding requirement the Bank may need to support its maturing obligations. To ensure that the Bank maintains a prudent and manageable level of cumulative negative gap, the Bank maintains a pool of highly liquid assets in the form of tradable investment securities. Moreover, the BOD has approved the MCO Limits which reflect the Bank's overall appetite for liquidity risk exposure. This limit is reviewed every year. Compliance with MCO Limits is monitored and reported to the BOD and senior management. In case of breach in the MCO Limit, the Risk Management Center elevates the concern to the BOD through the ROC for corrective action.

Additional measures to mitigate liquidity risks include reporting of funding concentration, short-term liquidity reporting, available funding sources, and liquid assets analysis.

More frequent analysis of projected funding sources and requirements as well as pricing strategies is discussed thoroughly during the weekly ALCO meetings.

Pursuant to applicable BSP regulations, the Bank is required to maintain reserves against deposit liabilities which are based on certain percentages of deposits. The required reserves against deposit liabilities shall be kept in the form of deposits placed in the Bank's demand deposit accounts with the BSP. The BSP also requires the Bank to maintain asset cover of 100% for foreign currency-denominated liabilities of its FCDU.

4.4.1 Foreign Currency Liquidity Management

The liquidity risk management policies and objectives described also apply to the management of any foreign currency to which the Bank maintains significant exposure. Specifically, the Bank ensures that its measurement, monitoring, and control systems account for these exposures as well. The Bank sets and regularly reviews limits on the size of the cash flow mismatches for each significant individual currency and in aggregate over appropriate time horizons. The Bank also assesses its access to foreign exchange markets when setting up its risk limits.

4.4.2 Liquidity Risk Stress

To augment the effectiveness of the Group's gap analysis, the Group regularly assesses liquidity risk based on behavioral and hypothetical assumptions under stress conditions. Survivability and resilience of the Bank are assessed for a minimum stress period of 30 days for all crisis scenarios enumerated in BSP Circular No. 981, *Guidelines on Liquidity Risk Management*. The results of these liquidity stress simulations are reported monthly to ALCO and ROC.

4.5 Operational Risk

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

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

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

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

- each major business line has an embedded operational risk management officer who acts as a point person for the implementation of various operational risk tools. The operational risk officers attend annual risk briefings conducted by the ROC to keep them up to date with different operational risk issues, challenges and initiatives.
- with ROC's bottom-up self-assessment process, which is conducted at least annually, areas with high-risk potential are highlighted and reported, and control measures are identified. The results of said self-assessment exercise also serve as one of the inputs in identifying specific key risk indicators (KRIs).
- KRIs are used to monitor the operational risk profile of the Bank and of each business unit and alert the management of impending problems in a timely fashion.
- internal loss information is collected, reported, and utilized to model operational risk.
- the ROC reviews product and operating manuals, policies, procedures, and circulars, thus allowing the embedding of desired operational risk management practices in all business units.

(a) *Reputational Risk*

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

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

(b) *Legal Risk and Regulatory Risk Management*

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

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

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

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

4.6 *Anti-Money Laundering Controls*

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

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

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

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

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

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

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

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

5. CAPITAL MANAGEMENT AND BSP REPORTING COMPLIANCE

5.1 Capital Management and Regulatory Capital

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

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

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

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

The following are the risk-based capital adequacy of the Bank as of December 31, 2024, 2023 and 2022 as reported to the BSP:

<i>(Amounts in millions PHP)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Net Tier 1 Capital	16,827	15,557	14,710
Tier 2 Capital	1,272	1,144	893
Total Qualifying Capital	<u>18,099</u>	<u>16,701</u>	<u>15,603</u>
Net Tier 1 Capital	16,827	15,557	14,710
Preferred Shares	(620)	(620)	(620)
Common Equity Tier 1 Capital	<u>16,207</u>	<u>14,937</u>	<u>14,090</u>
Risk Weighted Assets:			
Credit Risk Weighted Assets	126,680	113,928	101,812
Operational Risk Weighted Assets	9,634	9,162	8,793
Market Risk Weighted Assets	<u>6,615</u>	<u>3,942</u>	<u>2,015</u>
Total Risk-Weighted Assets	<u>142,929</u>	<u>127,032</u>	<u>112,620</u>
Capital ratios:			
Total qualifying capital expressed as percentage of total risk-weighted assets	12.7%	13.1%	13.9%
Common Equity Tier 1 capital expressed as percentage of total risk-weighted assets	11.3%	11.8%	12.5%
Capital Conservation Buffer expressed as Common Equity Tier 1 capital minus 6	5.3%	5.8%	6.5%
Net Tier 1 capital expressed as percentage of total risk-weighted assets	11.8%	12.2%	13.1%

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

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

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

- (a) Investments in equity of unconsolidated subsidiary banks and other financial allied undertakings, but excluding insurance companies;
- (b) Investments in debt capital instruments of unconsolidated subsidiary banks;
- (c) Investments in equity of subsidiary insurance companies and non-financial allied undertakings;
- (d) Reciprocal investments in equity of other banks/enterprises; and,
- (e) Reciprocal investments in unsecured subordinated term debt instruments of other banks/quasi-banks qualifying as Hybrid Tier 1, Upper Tier 2 and Lower Tier 2, in excess of the lower of (i) an aggregate ceiling of 5% of total Tier 1 capital of the bank excluding Hybrid Tier 1; or (ii) 10% of the total outstanding unsecured subordinated term debt issuance of the other bank/quasi-banks.

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

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

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

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

5.2 Minimum Liquidity Ratio

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

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

On April 7, 2020, the BSP issued Memorandum No. M-2020-020, *Reduction in the Minimum Liquidity Ratio in Response to Covid-19*, which reduced the MLR for stand-alone thrift banks, rural banks and cooperative banks from 20% to 16% until December 31, 2020. On December 1, 2020, the BSP issued an extension on the effectivity of the temporary reduction of MLR thru Memorandum No. M-2020-085 until December 31, 2021. Furthermore, Memorandum No. M-2022-004, *Extension of BSP Prudential Relief Measures*, further extended the reduction of MLR to 16% for stand-alone thrift banks, rural banks and cooperative banks until December 31, 2022.

The Bank's MLR are analyzed below (amounts in millions PHP except MLR figure).

	2024	2023
Eligible stock liquid assets	32,698	33,716
Total qualifying liabilities	142,438	130,534
MLR	22.96%	25.83%

5.3 Leverage Ratio

On June 9, 2015, the BSP issued Circular No. 881, *Implementing Guidelines on the Based III Leverage Ratio Framework*, which provides the implementing guidelines on the leverage ratio framework designed to act as a supplementary measure to the risk-based capital requirements. It sets out a minimum leverage ratio of 5.00% and shall be complied with at all times. The Basel III leverage ratio is defined as the ratio of capital measure (Tier 1 Capital) and the exposure measure which includes on-balance sheet and securities financing transactions exposures and off-balance sheet items.

Details of leverage ratio computation, which is consistent with the requirements of BSP, are presented below.

(Amounts in millions PHP)	2024	2023
Tier 1 Capital	16,827	15,557
Exposure measure	168,949	155,718
Leverage ratio	9.96%	9.99%

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Amounts and Fair Values by Category

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

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>Carrying Values</u>	<u>Fair Values</u>
<u>December 31, 2024:</u>			
<i><u>Financial Assets</u></i>			
At amortized cost:			
Cash and other cash items	9	1,177,794,637	1,177,794,637
Due from BSP	9	2,881,093,706	2,881,093,706
Due from other banks	9	4,056,453,936	4,056,453,936
Investment securities – net	10.3	1,270,349,150	1,269,982,358
Loans and other receivables – net	11	128,272,138,050	118,743,875,450
Other resources	14	139,941,203	139,941,203
At fair value:			
FVTPL securities	10.1	10,173,768,625	10,173,768,625
FVOCI securities	10.2	14,326,399,293	14,326,399,293
		<u>162,297,938,600</u>	<u>152,769,309,208</u>
<i><u>Financial Liabilities</u></i>			
At amortized cost:			
Deposit liabilities	15	139,094,278,870	138,404,045,657
Bills payable	16	4,562,500,000	4,562,500,000
Accrued expenses and other liabilities	17	1,919,671,854	1,919,671,854
		<u>145,576,450,724</u>	<u>144,886,217,511</u>
<u>December 31, 2023:</u>			
<i><u>Financial Assets</u></i>			
At amortized cost:			
Cash and other cash items	9	1,316,780,680	1,316,780,680
Due from BSP	9	4,498,604,149	4,498,604,149
Due from other banks	9	4,170,280,397	4,170,280,397
Investment securities – net	10.3	1,501,256,354	1,515,962,260
Loans and other receivables – net	11	117,563,935,794	107,784,973,020
Other resources	14	115,306,118	115,306,118
At fair value:			
FVTPL securities	10.1	6,782,337,118	6,782,337,118
FVOCI securities	10.2	13,765,424,913	13,765,424,913
		<u>149,713,925,523</u>	<u>139,949,668,655</u>
<i><u>Financial Liabilities</u></i>			
At amortized cost:			
Deposit liabilities	15	126,718,716,017	126,285,789,022
Bills payable	16	4,750,000,000	4,732,009,335
Accrued expenses and other liabilities	17	4,275,572,005	4,275,572,005
		<u>135,744,288,022</u>	<u>135,293,370,362</u>

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

6.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets, presented in the statements of financial position at gross amounts, are covered by enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the statements of financial position	Related accounts not set-off in the statements of financial position		
(Amounts in PHP)		Financial instruments	Collateral received	Net amount
<u>December 31, 2024</u>				
Trading and investment securities – at FVOCI	14,326,399,293	(4,054,700,000)	-	10,271,699,293
Loans and receivables – net	128,272,138,050	(9,135,748,746)	-	119,136,389,304
<u>December 31, 2023</u>				
Trading and investment securities – at FVOCI	13,765,424,913	(3,650,000,000)	-	10,115,424,913
Loans and receivables – net	117,563,935,794	(4,070,694,173)	-	113,493,241,621

The following financial liabilities, presented in the statements of financial position at gross amounts, are covered by enforceable master netting arrangements and similar agreements:

(Amounts in PHP)	Gross amounts recognized in the statements of financial position	Related accounts not set-off in the statements of financial position		Net amount
		Financial instruments	Collateral received	
<u>December 31, 2024</u>				
Deposit liabilities	139,094,278,870	(9,135,748,746)	-	129,958,530,124
Bills payable	4,562,500,000	(4,351,700,000)	-	210,800,000
<u>December 31, 2023</u>				
Deposit liabilities	126,718,716,017	(4,070,694,173)	-	122,648,021,844
Bills payable	4,750,000,000	(4,600,000,000)	-	150,000,000

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

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 *Fair Value Hierarchy*

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

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

7.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Bank's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2024 and 2023.

<i>(Amounts in millions PHP)</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2024</u>				
Financial assets at FVTPL				
Government securities	4,467	4,836	-	9,303
Corporate debt securities	226	645	-	871
	<u>4,693</u>	<u>5,481</u>	<u>-</u>	<u>10,174</u>
Financial assets at FVOCI				
Government securities	2,215	11,253	-	13,468
Corporate debt securities	-	858	-	858
	<u>2,215</u>	<u>12,111</u>	<u>-</u>	<u>14,326</u>
<u>December 31, 2023</u>				
Financial assets at FVTPL				
Government securities	1,732	3,357	-	5,089
Corporate debt securities	-	1,693	-	1,693
	<u>1,732</u>	<u>5,050</u>	<u>-</u>	<u>6,782</u>
Financial assets at FVOCI				
Government securities	3,470	9,353	-	12,823
Corporate debt securities	-	942	-	942
	<u>3,470</u>	<u>10,295</u>	<u>-</u>	<u>13,765</u>

Derivative financial assets are categorized within Level 2 and are determined through valuation techniques using the net present value computation.

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

- (a) Fair values of peso-denominated government debt securities issued by the Philippine government, are determined based on the reference price per Bloomberg which used BVAL. These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithms of direct observations or observed comparables; hence, categorized as Level 1 or 2.
- (b) Fair values of actively traded corporate debt securities are determined based on their market prices quoted in the Philippine Dealing Holdings System or based on the direct reference price per Bloomberg or observed comparables at the end of each reporting period; hence, categorized within Level 1 or Level 2.

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

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

The table in the succeeding page summarizes the fair value hierarchy of the Bank's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

(Amounts in millions PHP)

	Level 1	Level 2	Level 3	Total
<u>December 31, 2024</u>				
<i><u>Financial Assets</u></i>				
Cash and other cash items	1,178	-	-	1,178
Due from BSP	2,881	-	-	2,881
Due from other banks	4,056	-	-	4,056
Investment securities – net	-	1,270	-	1,270
Loans and other receivables – net	500	-	118,244	118,744
Other financial assets	82	-	58	140
	8,697	1,270	118,302	128,269
<i><u>Financial Liabilities</u></i>				
Deposit liabilities	-	-	138,404	138,404
Bills payable	4,563	-	-	4,563
Accrued expenses and other liabilities	-	-	1,920	1,920
	4,563	-	140,324	144,887
<u>December 31, 2023</u>				
<i><u>Financial Assets</u></i>				
Cash and other cash items	1,317	-	-	1,317
Due from BSP	4,499	-	-	4,499
Due from other banks	4,170	-	-	4,170
Investment securities – net	311	1,205	-	1,516
Loans and other receivables – net	4,993	-	102,792	107,785
Other financial assets	69	-	46	115
	15,359	1,205	102,838	119,402
<i><u>Financial Liabilities</u></i>				
Deposit liabilities	-	-	126,286	126,286
Bills payable	4,732	-	-	4,732
Accrued expenses and other liabilities	-	-	4,276	4,276
	4,732	-	130,562	135,294

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

(a) *Cash and Other Cash Items*

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers, including automated teller machines (see Note 9). Other cash items include cash items other than currency and coins on hand (see Note 14) such as checks drawn on the other banks or other branches that were received after the Bank's clearing cut-off time until the close of the regular banking hours. Carrying amounts approximate fair values in view of the relatively short-term maturities of these instruments.

(b) *Due from BSP and Other Banks and SPURRA*

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

(c) *Investment Securities at Amortized Cost*

The fair value of investment securities at amortized cost consisting of government securities and corporate debt securities is determined based on reference prices appearing in Bloomberg and PDS. The fair value of these securities are categorized within Level 1 and Level 2 of the fair value hierarchy using BVAL and PDS reference rates, which are derived using an approach based on a combined sequence of algorithms of direct observations and/or observed comparables, hence, categorized as Level 1 or 2.

(d) *Loans and Other Receivables, except SPURRA*

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

(e) *Other Financial Assets*

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

(f) *Deposits Liabilities and Borrowings*

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

(g) *Accrued Expenses and Other Liabilities*

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

7.4 Fair Value Measurement of Investment Properties Carried at Cost

The total estimated fair values of the Bank's investment properties, categorized under Level 3 of the fair value hierarchy amount to P3,039.7 million and P2,153.5 million as of December 31, 2024 and 2023, respectively (see Note 13).

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

(a) *Fair Value Measurement for Land*

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

(b) *Fair Value Measurement for Building and Improvements*

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

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

8. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing the performance of the operating segments.

In identifying its operating segments, management generally follows the Bank's products and services. The Bank's main operating businesses are organized and managed separately according to the nature of services and products provided and the different markets served, with each segment representing a strategic business unit as each of these services requires different technologies and resources as well as marketing approaches. These are also the basis of the Bank in reporting to its chief operating decision-maker for its strategic decision-making activities.

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

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

The measurement policies of the Bank used for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements. In addition, corporate resources which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

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

Segment revenues and expenses that are directly attributable to primary operating segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that operating segment are accordingly reflected as revenues and expenses of that operating segment.

Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis. In addition, corporate resources which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There were no changes in the Bank's operating segments in 2024 and 2023.

8.1 Analysis of Primary Segment Information

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

<i>(Amounts in millions PHP)</i>	<u>Consumer</u>	<u>Corporate</u>	<u>Treasury</u>	<u>Total</u>
<u>2024</u>				
Net interest and other income				
From external customers				
Interest income	751	8,502	1,379	10,632
Interest expense	(280)	(3,173)	(515)	(3,968)
Net interest income	<u>471</u>	<u>5,329</u>	<u>864</u>	<u>6,664</u>
Non-interest income	-	268	398	666
	<u>471</u>	<u>5,597</u>	<u>1,262</u>	<u>7,330</u>
Expenses				
Operating expenses excluding depreciation and amortization	193	3,079	460	3,732
Impairment losses	77	882	-	959
Depreciation and amortization	24	271	80	375
	<u>294</u>	<u>4,232</u>	<u>540</u>	<u>5,066</u>
Segment operating income	<u>177</u>	<u>1,365</u>	<u>722</u>	<u>2,264</u>
Total resources and liabilities				
Total resources	<u>10,723</u>	<u>120,449</u>	<u>35,372</u>	<u>166,544</u>
Total liabilities	<u>9,484</u>	<u>107,154</u>	<u>31,604</u>	<u>148,242</u>
<u>2023</u>				
Net interest and other income				
From external customers				
Interest income	588	7,574	1,134	9,296
Interest expense	(182)	(2,341)	(351)	(2,874)
Net interest income	<u>406</u>	<u>5,233</u>	<u>783</u>	<u>6,422</u>
Non-interest income	37	477	250	764
	<u>443</u>	<u>5,710</u>	<u>1,033</u>	<u>7,186</u>
Expenses				
Operating expenses excluding depreciation and amortization	195	2,655	768	3,618
Impairment losses	76	977	-	1,053
Depreciation and amortization	19	251	86	356
	<u>290</u>	<u>3,883</u>	<u>854</u>	<u>5,027</u>
Segment operating income	<u>153</u>	<u>1,827</u>	<u>179</u>	<u>2,159</u>
Total resources and liabilities				
Total resources	<u>8,216</u>	<u>112,054</u>	<u>32,409</u>	<u>152,679</u>
Total liabilities	<u>7,075</u>	<u>96,489</u>	<u>32,836</u>	<u>136,400</u>

<i>(Amounts in millions PHP)</i>	Consumer	Corporate	Treasury	Total
2022				
Net interest and other income				
From external customers				
Interest income	501	5,161	918	6,580
Interest expense	(78)	(810)	(144)	(1,032)
Net interest income	423	4,351	774	5,548
Non-interest income	64	664	99	827
	487	5,015	873	6,375
Expenses				
Operating expenses excluding depreciation and amortization	185	2,528	692	3,405
Impairment losses	73	748	-	821
Depreciation and amortization	17	245	66	328
	275	3,521	758	4,554
Segment operating income	212	1,494	115	1,821
Total resources and liabilities				
Total resources	7,242	98,766	27,063	133,071
Total liabilities	6,441	87,852	25,681	119,974

8.2 Reconciliation

Presented below is a reconciliation of the Bank's segment information to the key financial information presented in its financial statements.

<i>(Amounts in millions PHP)</i>	2024	2023	2022
Net interest and other income			
Total segment revenues	7,330	7,186	6,375
Unallocated income	183	216	119
Net interest and other income as reported in profit or loss	7,513	7,402	6,494
Profit or loss			
Total segment operating income	2,264	2,159	1,821
Unallocated profit	132	180	41
Profit before tax as reported in profit or loss	2,396	2,339	1,862
Resources			
Total segment resources	166,544	152,679	133,071
Unallocated assets	1,448	1,735	1,479
Total resources	167,992	154,414	134,550
Liabilities			
Total segment liabilities	148,242	136,400	119,974
Unallocated liabilities	389	-	-
Total liabilities	148,631	136,400	119,974

The Bank has no intersegment revenues during 2024, 2023 and 2022.

9. CASH AND CASH EQUIVALENTS

This account is composed of the following:

<i>(Amounts in PHP)</i>	Notes	2024	2023
Cash and other cash items		1,177,794,637	1,316,780,680
Due from BSP:			
Mandatory reserves		631,093,606	797,518,235
Other than mandatory reserves		2,250,000,100	3,701,085,914
		2,881,093,706	4,498,604,149
Due from other banks:			
Local banks		2,746,158,008	3,144,810,572
Foreign banks		1,310,295,928	1,025,469,825
		4,056,453,936	4,170,280,397
SPURRA	11	500,000,000	4,992,596,914
Interbank loans receivables	11	615,690,000	-
Foreign currency notes and coins on hand	14	82,379,182	68,818,715
		9,313,411,461	15,047,080,855

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

Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements and to serve as clearing account for interbank claims (see Note 15).

Due from BSP, other than mandatory reserves which has no interest, bears annual effective interest rates as follows:

2024	2023	2022
5.25% – 5.75%	3.75% – 4.25%	3.75% – 4.25%

The total interest income earned on Due from BSP account in 2024, 2023 and 2022 amounting to P142.7 million, P216.9 million and P182.2 million, respectively, is presented as part of Interest Income on Due from BSP and Other Banks in the statements of profit or loss.

Interest rates on the Bank's deposits in other banks range from 1.62% to 5.00% per annum in 2024, from 1.70% to 5.40% per annum in 2023, and from 0.05% to 4.50% per annum in 2022. The total interest income earned in 2024, 2023 and 2022 amounting to P33.9 million, P104.8 million and P35.8 million, respectively, is presented as part of Interest Income on Due from BSP and Other Banks in the statements of profit or loss.

10. TRADING AND INVESTMENT SECURITIES

The components of this account are presented below.

<i>(Amounts in PHP)</i>	Notes	2024	2023
Financial assets at FVOCI	4.3.2, 10.2	14,326,399,293	13,765,424,913
Financial assets at FVTPL	10.1	10,173,768,625	6,782,337,118
Financial assets at amortized cost – net	4.3.2, 10.3	1,270,349,150	1,501,256,354
		<u>25,770,517,068</u>	<u>22,049,018,385</u>

Interest income on trading and investment securities consists of:

<i>(Amounts in PHP)</i>	2024	2023	2022
Financial assets at FVTPL:			
Government securities	416,176,286	174,351,678	74,227,351
Corporate bonds	54,353,595	76,095,573	19,344,197
Financial assets at FVOCI:			
Government securities	622,764,536	460,042,698	461,354,034
Corporate bonds	19,767,715	32,527,603	25,672,766
Financial assets at amortized cost:			
Government securities	55,779,484	36,801,831	29,191,239
Corporate bonds	34,088,722	32,189,507	27,502,666
	<u>1,202,930,338</u>	<u>812,008,890</u>	<u>637,292,253</u>

Trading gains or losses, which is presented in the statements of profit or loss, consists of the following:

<i>(Amounts in PHP)</i>	2024	2023	2022
Investment securities at FVTPL:			
Unrealized	(173,767,502)	152,878,896	(406,996,881)
Realized	86,192,261	133,872,761	5,351,266
	<u>(87,575,241)</u>	<u>286,751,657</u>	<u>(401,645,615)</u>
Investment securities at FVOCI	-	1,009,332	(607,336)
	<u>(87,575,241)</u>	<u>287,760,989</u>	<u>(402,252,951)</u>

10.1 Financial assets at FVTPL

The account is composed of the following:

<i>(Amounts in PHP)</i>	2024	2023
Government securities	9,303,123,574	5,088,833,858
Corporate bonds	870,645,051	1,693,383,272
Derivative assets	-	119,988
	<u>10,173,768,625</u>	<u>6,782,337,118</u>

Effective interest rates of financial assets at FVTPL range from:

	2024	2023	2022
Government securities	4.5% – 6.1%	2.1% – 6.1%	3.0% – 9.3%
Corporate bonds	3.3% – 5.4%	3.1% – 7.7%	2.8% – 7.3%

10.2 Financial assets at FVOCI

The account is composed of the following:

<i>(Amounts in PHP)</i>	2024	2023
Government securities	13,468,034,106	12,823,010,421
Corporate bonds	858,365,187	942,414,492
	<u>14,326,399,293</u>	<u>13,765,424,913</u>

Effective interest rates of investment securities at FVOCI range from:

	2024	2023	2022
Government securities	3.2% – 7.3%	5.8% – 7.1%	2.4% – 6.9%
Corporate bonds	3.0% – 7.2%	3.0% – 7.1%	3.3% – 4.9%

In compliance with current banking regulations relative to the Bank's trust functions, certain securities of the Bank, with a face value of P375.0 million and P130.0 million as of December 31, 2024 and 2023, respectively, are deposited with the BSP (see Note 25).

In 2024 and 2023, certain government securities at FVOCI with a total carrying value of P4,054.7 million and P3,650.0 million, respectively, were assigned as collateral to secure borrowings under credit line agreement with Development Bank of the Philippines (DBP) (see Notes 6.2 and 16). These investment securities have an interest rate ranging from 3.4% to 8.6%, and from 3.4% to 6.3% in 2024 and 2023 and will mature sometime in 2026, in 2027, in 2028 and 2040.

Changes in the investment securities at FVOCI are summarized below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	13,765,424,913	10,820,216,925
Additions	1,555,351,731	2,795,028,683
Maturities	(1,031,380,000)	(325,000,000)
Foreign currency revaluation	93,231,689	(33,093,390)
Amortization of premium	(50,129,343)	(31,242,235)
Fair value gains (losses) - net	(6,099,697)	539,514,930
Balance at end of year	<u>14,326,399,293</u>	<u>13,765,424,913</u>

The reconciliation of NUGL on investment securities at FVOCI reported in equity is shown in Note 19.5.

10.3 Financial Assets at Amortized Cost

This account is composed of the following:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Government securities		973,655,247	941,737,532
Corporate bonds		312,471,601	575,296,520
	4.3.2	1,286,126,848	1,517,034,052
Allowance for impairment	4.3.2, 26	(15,777,698)	(15,777,698)
		<u>1,270,349,150</u>	<u>1,501,256,354</u>

The reconciliation of the carrying amounts of investment securities at amortized cost are presented below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	1,501,256,354	1,125,460,677
Maturities and redemptions	(503,687,237)	(547,450,082)
Additions	230,974,346	869,329,792
Amortization of discount	41,805,687	56,394,573
Impairment during the year	-	(2,478,606)
Balance at end of year	<u>1,270,349,150</u>	<u>1,501,256,354</u>

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Government securities	3.8% – 6.2%	3.8% – 6.3%	3.6% – 8.1%
Corporate bonds	4.0%	4.0% – 7.2%	3.8% – 7.3%

11. LOANS AND OTHER RECEIVABLES

This account consists of the following:

<i>(Amounts in PHP)</i>	Notes	2024	2023
Receivable from customers:			
Loans and discounts		131,902,297,185	117,038,106,500
Unearned discount		(203,843,460)	(200,594,244)
		<u>131,698,453,725</u>	<u>116,837,512,256</u>
Bills purchased		354,315,616	137,316,529
Customers' liabilities on acceptances, letters of credit and trust receipts		212,429,303	333,083,736
		<u>132,265,198,644</u>	<u>117,307,912,521</u>
Other receivables			
SPURRA	9	500,000,000	4,992,596,914
Interbank loans receivables	9	615,690,000	-
Accrued interest receivable		1,067,063,548	956,131,849
Accounts receivable		182,448,237	155,027,103
Deficiency claims receivable		58,623,568	58,643,482
Sales contract receivable		18,552,731	19,129,027
		<u>2,442,378,084</u>	<u>6,181,528,375</u>
Allowance for ECL	4.3.2 4.3.2, 26	134,707,576,728 (6,435,438,678)	123,489,440,896 (5,925,505,102)
		<u>128,272,138,050</u>	<u>117,563,935,794</u>

SPURRA are secured by certain treasury bills of the BSP. SPURRA, which represent loans and receivables from BSP as of December 31, 2024 and 2023, arise from overnight lending of excess liquidity.

Of the total loans and discounts of the Bank as of December 31, 2024 and 2023, 86.60% and 84.01%, respectively, are subject to periodic interest repricing.

Annual effective interest rates range from:

	2024	2023	2022
Loans and discounts	0.0% – 57.9%	0.0% – 189.7%	0.0% – 189.7%
Other receivables	5.1% – 12.0%	5.1% – 12.7%	5.0% – 12.0%

The total interest income earned amounted to:

<i>(Amounts in PHP)</i>	2024	2023	2022
Loans and discounts	9,152,459,962	7,983,954,362	5,661,250,576
Other receivables	100,176,750	177,977,912	62,958,081
	<u>9,252,636,712</u>	<u>8,161,932,274</u>	<u>5,724,208,657</u>

Interest income recognized on impaired loans and other receivables amounted to P498.6 million, P388.4 million, and P161.4 million in 2024, 2023, and 2022, respectively.

As of December 31, 2024 and 2023, certain loan receivables amounting to P297.0 million and P950.0 million, respectively, are assigned as collateral to secure borrowings under rediscounting privileges (see Note 16). These loan receivables have an interest rate of 6.70% and 5.11% and mature on March 24, 2025 and April 24, 2024, respectively. There is no related ECL allowance required on these loan receivables.

Certain qualified micro, small and medium enterprises (MSME) loans with outstanding balance of P847.3 million and P1,641.1 million (gross of allowance for impairment) as of December 31, 2024, and 2023, respectively, were used as alternative compliance with the BSP reserve requirement (see Note 15).

12. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of 2024 and 2023 are shown below.

<i>(Amounts in PHP)</i>	Land	Building	Furniture Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Right-of-Use Assets	Total
December 31, 2024							
Cost	90,802,205	189,716,467	764,301,260	168,599,495	768,123,710	866,380,205	2,847,923,342
Accumulated depreciation and amortization	-	(91,713,449)	(601,877,754)	(112,547,291)	(700,856,377)	(358,772,931)	(1,865,767,802)
Net Carrying Amount	<u>90,802,205</u>	<u>98,003,018</u>	<u>162,423,506</u>	<u>56,052,204</u>	<u>67,267,333</u>	<u>507,607,274</u>	<u>982,155,540</u>
December 31, 2023							
Cost	90,802,205	98,677,127	132,221,520	46,715,722	52,883,431	287,018,074	708,318,079
Accumulated depreciation and amortization	-	(88,426,536)	(555,863,724)	(111,312,823)	(680,644,135)	(342,274,555)	(1,778,521,773)
Net Carrying Amount	<u>90,802,205</u>	<u>100,531,931</u>	<u>147,774,271</u>	<u>57,672,431</u>	<u>59,186,312</u>	<u>418,771,564</u>	<u>874,738,714</u>
January 1, 2023							
Cost	90,802,205	181,811,222	645,220,653	160,226,285	707,140,278	653,989,851	2,439,190,494
Accumulated depreciation and amortization	-	(83,134,095)	(512,999,133)	(113,510,563)	(654,256,847)	(366,971,777)	(1,730,872,415)
Net Carrying Amount	<u>90,802,205</u>	<u>98,677,127</u>	<u>132,221,520</u>	<u>46,715,722</u>	<u>52,883,431</u>	<u>287,018,074</u>	<u>708,318,079</u>

A reconciliation of the carrying amounts at the beginning and end of 2024 and 2023 is shown below.

<i>(Amounts in PHP)</i>	Land	Building	Furniture Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Right-of-Use Assets	Total
Balance at January 1, 2024 net of accumulated depreciation and amortization	90,802,205	100,531,931	147,774,271	57,672,431	59,186,312	418,771,564	874,738,714
Additions	-	758,000	62,682,256	23,109,470	28,497,521	271,660,370	386,707,617
Disposals	-	-	(507,126)	(7,295,136)	(204,259)	-	(8,006,521)
Depreciation and amortization charges for the year	-	(3,286,913)	(47,525,895)	(17,434,561)	(20,212,241)	(182,824,660)	(271,284,270)
Balance at December 31, 2024 net of accumulated depreciation and charges for the year	90,802,205	98,003,018	162,423,506	56,052,204	67,267,333	507,607,274	982,155,540
Balance at January 1, 2023 net of accumulated depreciation and amortization	90,802,205	98,677,127	132,221,520	46,715,722	52,883,431	287,018,074	708,318,079
Additions	-	7,469,414	60,427,240	48,609,695	33,839,259	289,375,168	439,720,776
Disposals	-	(324,036)	(492,055)	(21,228,953)	(947,873)	-	(22,992,917)
Depreciation and amortization charges for the year	-	(5,290,574)	(44,382,434)	(16,424,033)	(26,588,505)	(157,621,678)	(250,307,224)
Balance at December 31, 2023 net of accumulated depreciation and charges for the year	90,802,205	100,531,931	147,774,271	57,672,431	59,186,312	418,771,564	874,738,714
Balance at January 1, 2022 net of accumulated depreciation and amortization	90,802,205	100,891,714	136,667,197	38,566,149	62,561,340	192,316,415	621,805,020
Additions	-	4,033,804	43,905,449	29,534,805	18,258,754	228,888,547	324,621,359
Disposals	-	-	(3,550,351)	(5,366,940)	(767,129)	-	(9,684,420)
Depreciation and amortization charges for the year	-	(6,248,391)	(44,800,775)	(16,018,292)	(27,169,534)	(134,186,888)	(228,423,880)
Balance at December 31, 2022 net of accumulated depreciation and charges for the year	90,802,205	98,677,127	132,221,520	46,715,722	52,883,431	287,018,074	708,318,079

As of December 31, 2024 and 2023, the cost of the Bank's fully depreciated bank premises, furniture, fixtures, and equipment that are still used in operations amounted to P350.40 million and P309.81 million, respectively.

The BSP requires that investment in bank premises, furniture, fixtures, and equipment do not exceed 50% of the Bank's unimpaired capital. As of December 31, 2024 and 2023, the Bank has satisfactorily complied with this requirement.

The Bank leases office space for its branches. Leases have terms ranging from one to 20 years with renewal options and annual escalation rates from 2.50% to 10.00% in both years 2024 and 2023. The Bank has 158 total number of right-of-use assets for its main office and 157 branches with an average remaining life of two years as of December 31, 2024 and 2023, respectively.

Each lease imposes a restriction that the right-of-use assets can only be used by the Bank. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Bank is prohibited from selling or pledging the underlying leased assets as security. The Bank must keep those premises in a good state of repair and return the properties to their original condition at the end of the lease. Further, the Bank must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The use of extension and termination options gives the Bank added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Bank's business expansion unit's strategy and the economic benefit of exercising the option exceeds the expected overall cost.

13. INVESTMENT PROPERTIES

Investment properties consist of various land and buildings and improvements acquired through foreclosure or dacion as payment of outstanding loans by the borrowers.

The gross carrying amounts and accumulated depreciation and allowance for impairment of investment properties at the beginning and end of 2024 and 2023 are shown below.

<i>(Amounts in PHP)</i>	Land	Buildings and Improvements	Total
December 31, 2024			
Cost	1,691,273,479	808,920,204	2,500,193,683
Accumulated amortization	-	(212,649,590)	(212,649,590)
Allowance for impairment	(183,463,428)	(76,670,236)	(260,133,664)
Net carrying amount	1,507,810,051	519,600,378	2,027,410,429
December 31, 2023			
Cost	1,314,038,438	601,709,577	1,915,748,015
Accumulated amortization	-	(154,852,726)	(154,852,726)
Allowance for impairment	(207,800,296)	(137,661,036)	(345,461,332)
Net carrying amount	1,106,238,142	309,195,815	1,415,433,957
January 1, 2023			
Cost	1,217,176,034	494,655,876	1,711,831,910
Accumulated amortization	-	(119,345,473)	(119,345,473)
Allowance for impairment	(263,348,376)	(71,866,992)	(335,215,368)
Net carrying amount	953,827,658	303,443,411	1,257,271,069

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2024 and 2023 are shown below and in the succeeding page.

<i>(Amounts in PHP)</i>	Land	Buildings and Improvements	Total
Balance at January 1, 2024, net of accumulated depreciation and impairment	1,106,238,142	309,195,815	1,415,433,957
Additions	394,850,455	212,980,430	607,830,885
Disposals	(17,615,414)	(4,613,448)	(22,228,862)
Impairment reversal	24,336,868	60,990,800	85,327,668
Depreciation for the year	-	(58,953,219)	(58,953,219)
Balance at December 31, 2024, net of accumulated depreciation and impairment	1,507,810,051	519,600,378	2,027,410,429
Balance at January 1, 2023, net of accumulated depreciation and impairment	953,827,658	303,443,411	1,257,271,069
Additions	293,572,236	134,005,374	427,577,610
Disposals	(196,709,832)	(17,581,813)	(214,291,645)
Impairment reversal (loss)	55,548,080	(65,794,044)	(10,245,964)
Depreciation for the year	-	(44,877,113)	(44,877,113)
Balance at December 31, 2023, net of accumulated depreciation and impairment	1,106,238,142	309,195,815	1,415,433,957

<i>(Amounts in PHP)</i>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Total</u>
Balance at January 1, 2022, net of accumulated depreciation and impairment	586,807,948	72,897,009	659,704,957
Additions	484,202,972	303,787,452	787,990,424
Disposals	(101,183,262)	(43,015,770)	(144,199,032)
Impairment loss	-	(30,225,280)	(30,225,280)
Depreciation for the year	<u>(16,000,000)</u>	<u>-</u>	<u>(16,000,000)</u>
Balance at December 31, 2022, net of accumulated depreciation and impairment	<u>953,827,658</u>	<u>303,443,411</u>	<u>1,257,271,069</u>

The investment properties still subject to redemption by the borrowers based on the prescribed redemption period by the relevant law amounted to P356.8 million and P213.5 million, respectively.

Gain on disposal of investment properties amounted to P9.8 million, P96.0 million, P2.3 million in 2024, 2023 and 2022, respectively, which were presented as part of Gain (Loss) on sale of properties under Miscellaneous Income (Expense) in the statements of profit or loss (see Notes 20.1 and 20.2).

In 2024, the Bank recognized reversal on impairment losses resulting from improvement in the fair value of the investment properties as the impact of the pandemic started to subside and market conditions recovered. In 2023 and 2022, the Bank recognized additional impairment losses resulting from decline in fair value of certain investment properties due to factors such the continuing impact of the pandemic and changes in the property market.

Expenses incurred on investment properties include real property taxes and depreciation. Real property taxes incurred on these investment properties amounted to P51.0 million, P49.1 million and P56.4 million in 2024, 2023 and 2022, respectively, and are presented as part of Miscellaneous, as Litigation on asset acquired, under Other Expenses in the statements of profit or loss (see Note 20.2). Depreciation recognized are included in Depreciation and amortization under Other Expenses in profit or loss.

14. OTHER RESOURCES

This account consists of the following as of December 31:

<i>(Amounts in PHP)</i>	Notes	2024	2023
Branch licenses	14.2	250,800,000	250,800,000
Prepaid expenses		136,004,387	137,450,698
Goodwill	14.3	121,890,408	121,890,408
Computer software – net	14.1	105,060,619	67,896,633
Security deposits		112,951,308	70,849,924
Foreign currency notes and coins on hand	9	82,379,182	68,818,715
Other acquired assets – net	14.4	86,193,416	43,149,858
Stationery and supplies		42,031,594	33,584,328
Deferred charges		41,234,456	41,207,332
Club shares		38,000,000	38,000,000
Due from head office or branches		11,569	-
Miscellaneous	14.5	56,657,732	40,927,197
		1,073,214,671	914,575,093
Allowance for impairment:			
Prepaid expense		(1,654,737)	(1,654,737)
Other acquired assets - net		(13,730,765)	-
		(15,385,502)	(1,654,737)
		1,057,829,169	912,920,356

14.1 Computer Software

The movements in computer software are shown below.

<i>(Amounts in PHP)</i>	2024	2023
Balance at beginning of year	67,896,633	86,908,147
Additions	71,545,866	21,833,298
Amortization	(34,381,880)	(38,762,660)
Reclassification	-	(2,082,152)
Balance at end of year	105,060,619	67,896,633

Amortization of computer software amounting to P34.4 million, P38.8 million and P47.9 million in 2024, 2023 and 2022, respectively, are presented as part of Depreciation and Amortization in the statements of profit and loss.

14.2 Branch Licenses

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

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

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

As indicated in Notes 2.7, 2.12 and 3.2(g), branch licenses are tested for impairment annually. The recoverable amount of the CGU has been based on Value-in-Use (VIU) calculation using the excess projected net income from forecasts approved by the Bank's management covering a five-year period and a terminal growth rate. The key assumptions used in the estimation of the VIU in 2024 and 2023 include using a discount rate of 10.4% and 11.6%, respectively, and terminal value growth rate of 5.8% and 6.2%, respectively.

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

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

14.3 Goodwill

Goodwill arose from the following acquisitions:

(Amounts in PHP)

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

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

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

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

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

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

In 2024 and 2023, the discount rates applied to cash flow projections are and 10.4% and 11.6%, respectively, while the growth rates used to extrapolate cash flows for the five-year period are 5.8% and 6.2% for 2024 and 2023, respectively. The growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

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

14.4 Other Acquired Assets

This account pertains to chattel properties acquired by the Bank from defaulting borrowers. The movements of other acquired assets is shown below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Cost		
Balance at beginning of year	95,366,144	100,905,907
Additions	110,428,773	35,341,133
Disposals	(74,081,032)	(40,880,896)
Balance at end of year	<u>131,713,885</u>	<u>95,366,144</u>
Accumulated depreciation		
Balance at beginning of year	(52,216,285)	(33,065,910)
Depreciation	(10,167,276)	(22,331,875)
Disposals	16,863,092	3,181,499
Balance at end of year	<u>(45,520,469)</u>	<u>(52,216,286)</u>
Other acquired assets – net of accumulated depreciation <i>(carried forward)</i>	<u>86,193,416</u>	<u>43,149,858</u>

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Other acquired assets – net of accumulated depreciation <i>(brought forward)</i>	86,193,416	43,149,858
Allowance for impairment	(13,730,765)	-
	<u>72,462,651</u>	<u>43,149,858</u>

As of December 31, 2024 and 2023, additional repossessed chattel properties amount to P110.43 million and P35.34 million, respectively.

Depreciation of chattel properties amounting to P10.2 million, P22.3 million and P22.5 million in 2024, 2023 and 2022, respectively, are presented as part of Depreciation and Amortization in the statements of profit and loss.

Loss on disposal of the assets amounted to P4.2 million, P11.4 million and P18.9 million in 2024, 2023 and 2022, respectively were presented in the statements of profit or loss as part of Gain (Loss) on sale of properties under Miscellaneous Income (Expenses) [see Notes 20.1 and 20.2].

14.5 Miscellaneous

Miscellaneous includes various deposits, petty cash fund, creditable withholding taxes and other assets.

15. DEPOSIT LIABILITIES

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

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Philippine peso	131,821,188,540	119,063,034,550
Foreign currencies	<u>7,273,090,330</u>	<u>7,655,681,467</u>
	<u>139,094,278,870</u>	<u>126,718,716,017</u>

Annual interest rates on deposit liabilities range from:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Philippine peso	0.1% – 6.5%	1.8% – 7.3%	0.1% – 6.3%
Foreign currencies	0.1% – 5.1%	1.4% – 5.0%	0.1% – 4.0%

The total interest expense amounted to:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Time	3,586,339,516	2,683,610,059	942,058,513
Savings	44,165,010	40,395,765	20,171,069
Demand	16,419,791	15,787,142	13,811,856
	<u>3,646,924,317</u>	<u>2,739,792,966</u>	<u>976,041,438</u>

Deposit liabilities as of December 31, 2024 and 2023 include those that are from DOSRI (see Note 22.1).

Under existing BSP regulations, the Bank is subject to a reserve requirement equivalent to 2.0% of non-FCDU deposit liabilities. The monetary Board, in its Resolution No. 1027 dated September 5, 2024, approved the reduction in the reserve requirement for Thrift Banks to 1%. On April 6, 2012, the BSP issued an amendment to the existing provisions as to the eligibility of cash and deposit accounts with BSP as forms of reserve requirements. As indicated in the amendment, cash and other cash items are no longer considered as eligible reserves.

Pursuant to BSP Circular No. 1087, *Alternative Compliance with the Reserve Requirements of Banks and Non-bank Financial Institutions with Quasi-banking Functions*, the Bank used qualified MSME loans as allowable alternative compliance with the reserve requirement both in 2024 and 2023 (see Note 11).

The Bank's available reserves as of December 31, 2024 and 2023 amount to P1,351.1 million and P9,401.6 million, respectively, and is compliant with these BSP regulations (see Notes 9 and 11).

16. **BILLS PAYABLE**

On November 27, 2024, the Bank obtained a short-term P2.10 billion bills payable from the Development Bank of the Philippines (DBP). The initial interest rate on this bills payable was 5.50% per annum, subject to monthly repricing. The maturity date for this DBP bills payable is February 25, 2025. This bills payable is secured by certain government securities of the Bank amounting to P2,654.7 million in 2024 (see Notes 6.2 and 10).

On November 13, 2024, the Bank obtained an additional short-term P1.50 billion bills payable from the Land Bank of the Philippines (LBP). The initial interest rate on this bill was 5.79% per annum, payable monthly, subject to monthly repricing. The maturity date for this LBP bills payable was February 11, 2024.

On November 20, 2024, the Bank obtained another short-term P0.90 billion bills payable from DBP. The initial interest rate on this bill was 5.85% per annum, subject to monthly repricing. The interest on this bills payable is payable monthly. The maturity date for this DBP bills payable was February 18, 2025. This bills payable is secured by certain government securities of the Bank amounting to P1,400.0 million in 2024 (see Notes 6.2 and 10).

Additionally, the Bank had one outstanding bills payable from a prior year that was rediscounted until March 24, 2025. This bills payable carried an interest rate of 6.50% per annum, payable quarterly. There was a partial settlement of this rediscounted bills payable amounted to P62.5 million.

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

On December 5, 2023, the Bank obtained short-term bills payable from DBP amounting to P3,000.0 million bearing an interest rate of 5.75% per annum with maturity date of March 4, 2024. This bills payable is secured by assigning all rights, interests and titles of certain government securities of the Bank amounting to P3,650.0 million in 2023 (see Notes 6.2 and 10).

The total interest expense in 2024, 2023, and 2022 amounted to P283.6 million, P109.0 million, and P25.2 million, respectively, and is recognized as part of Interest Expense in the 2024, 2023 and 2022 statements of profit or loss.

As of December 31, 2024 and 2023, the total outstanding bills payable amounting to P4,562.5 million and P4,750.0 million, respectively.

17. ACCRUED EXPENSES AND OTHER LIABILITIES

17.1 *Accrued Expenses and Other Liabilities*

The breakdown of this account follows:

<i>(Amounts in PHP)</i>	Notes	2024	2023
Accounts payable		1,366,890,133	987,761,999
Manager's checks		680,842,434	1,511,354,687
Accrued expenses		626,851,298	993,442,742
Lease liabilities	17.2	552,557,746	456,512,888
Sundry credits		444,813,939	2,018,685
Bills purchased		354,315,616	137,316,529
Outstanding acceptances		194,335,850	326,499,689
Withholding taxes payable		168,673,998	120,543,803
Post-employment defined benefit obligation	21.2	101,460,210	95,532,324
Income tax payable		93,783,621	128,060,470
Due to BSP		68,906,600	60,942,947
Payment orders payable		13,021,889	7,636,804
Others		307,941,408	103,651,928
		4,974,394,742	4,931,275,495

Accrued expenses include primarily accruals on interest on corporate notes payable, Agriculture, Fisheries and Rural Development Financing Act of 2022 (RA 11901) penalty, performance bonus, other employee benefits, utilities, janitorial and security services fees.

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

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

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

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

17.2 Lease Liabilities

The movements in the lease liability recognized are as follows:

<i>(Amounts in PHP)</i>	2024	2023
Balance at beginning of year	456,512,888	333,084,279
Additions	271,660,369	289,375,168
Payments of principal portion of lease liability	(175,615,511)	(165,946,559)
Balance at end of year	552,557,746	456,512,888

The total interest expense incurred on the lease liability amounted to P32.1 million, P22.1 million and P20.7 million in 2024, 2023 and 2022, respectively, and is presented as part of Others under the Interest Expense section of statements of profit or loss.

On August 3, 2023, the Bank has committed to a new lease contract which will commence on February 1, 2024. This will serve as an extension of the Bank's main office that will house the offices of certain executive directors and unit heads (see Note 12).

The Bank has elected not to recognize lease liabilities for short-term leases. Payments made under such leases are expensed on a straight-line basis. The expenses relating to short-term leases amounted to P21.2 million, P27.0 million and P42.1 million in 2024, 2023 and 2022, respectively, and is presented as part of Occupancy under Other Expenses in the statements of profit or loss.

As of December 31, 2024 and 2023, the Bank is not committed to short-term leases.

The maturity analysis of lease liabilities as of December 31, 2024 and 2023 is as follows:

<i>(Amounts in PHP)</i>	2024			2023		
	Lease Payments	Finance Charges	Net Present Value	Lease Payments	Finance Charges	Net Present Value
First year	183,863,576	28,746,872	155,116,704	164,707,007	22,277,400	142,429,607
Second year	153,568,290	20,390,814	133,177,476	120,998,012	15,580,277	105,417,735
Third year	125,259,421	12,790,912	112,468,509	89,912,321	10,376,471	79,535,850
Fourth year	97,186,895	6,255,435	90,931,460	67,751,030	5,965,367	61,785,663
Fifth year	33,824,964	2,471,475	31,353,489	39,938,542	2,572,253	37,366,289
Beyond fifth year	32,485,369	2,975,261	29,510,108	33,329,943	3,352,199	29,977,744
	626,188,515	73,630,769	552,557,746	516,636,855	60,123,967	456,512,888

18. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

(Amounts in PHP)	Notes	2024			2023		
		Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Resources							
Cash and other cash items	9	1,177,794,637	-	1,177,794,637	1,316,780,680	-	1,316,780,680
Due from BSP	9	2,881,093,706	-	2,881,093,706	4,498,604,149	-	4,498,604,149
Due from other banks	9	4,056,453,936	-	4,056,453,936	4,170,280,397	-	4,170,280,397
Loans and other receivables	11	65,179,697,433	63,092,440,617	128,272,138,050	61,100,083,606	56,463,852,188	117,563,935,794
Financial assets at FVTPL	10.1	10,173,768,625	-	10,173,768,625	6,782,337,118	-	6,782,337,118
Financial assets at FVOCI	10.2	661,307,630	13,665,091,663	14,326,399,293	12,911,945,179	853,479,734	13,765,424,913
Investments at amortized cost	10.3	493,697,155	776,651,995	1,270,349,150	1,098,283,398	402,972,956	1,501,256,354
Bank premises, furniture, fixtures and equipment - net	12	-	982,155,540	982,155,540	-	874,738,714	874,738,714
Investment properties - net	13	-	2,027,410,429	2,027,410,429	-	1,415,433,957	1,415,433,957
Deferred tax assets - net	23	-	1,766,272,966	1,766,272,966	-	1,612,742,372	1,612,742,372
Other resources	14	248,030,972	809,798,197	1,057,829,169	239,853,741	673,066,615	912,920,356
		<u>84,871,844,094</u>	<u>83,119,821,407</u>	<u>167,991,665,501</u>	<u>92,118,168,268</u>	<u>62,296,286,536</u>	<u>154,414,454,804</u>
Liabilities							
Deposit liabilities	15	135,802,303,158	3,291,975,712	139,094,278,870	122,569,571,566	4,149,144,451	126,718,716,017
Bills payable	16	4,562,500,000	-	4,562,500,000	4,750,000,000	-	4,750,000,000
Accrued expenses and other liabilities	17	4,510,538,606	463,856,136	4,974,394,742	4,210,092,994	721,182,501	4,931,275,495
		<u>144,875,341,764</u>	<u>3,755,831,848</u>	<u>148,631,173,612</u>	<u>131,529,664,560</u>	<u>4,870,326,952</u>	<u>136,399,991,512</u>

19. EQUITY

19.1 Capital Stock

Capital stock consists of:

	2024		2023	
	Shares	Amount in PHP	Shares	Amount in PHP
<u>Preferred shares – P10 par value</u>				
Authorized				
Balance at end of year	130,000,000	1,300,000,000	130,000,000	1,300,000,000
Issued and outstanding				
Balance at end of year	62,000,000	620,000,000	62,000,000	620,000,000
<u>Common shares – P10 par value</u>				
Authorized				
Balance at end of year	1,370,000,000	13,700,000,000	1,370,000,000	13,700,000,000
Issued and outstanding				
Balance at end of year	818,750,094	8,187,500,940	643,750,094	6,437,500,940
Issuance of capital stock				
Private placements	-	-	125,000,000	1,250,000,000
Stock right offering (SRO)	-	-	50,000,000	500,000,000
Balance at end of year	818,750,094	8,187,500,940	818,750,094	8,187,500,940

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

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

On January 9, 2013, the PSE approved the Bank's application for the listing of its common shares. The approval covered the IPO of 101,333,400 unissued common shares of the Bank at P31.50 per share and the listing of those shares in the PSE's main board on February 19, 2013, its day of listing. The Bank offered its 101,333,400 unissued common to the public at the approved P31.50 per share resulting in the recognition of additional paid-in capital of P1,998.4 million, net of transaction costs (see Note 19.4).

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

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

On August 17, 2022, during the regular BOD meeting of the Bank, the BOD approved the offer consisting of P1,750,000,000 worth of shares, which (a) P1,250,000,000 shall consist of advance subscriptions by the Principal Shareholders out of the P5,000,000,000 increase in 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 December 31, 2024 and 2023, the Bank has 67 holders of its listed common stock. The Bank has 818,750,094 common shares traded in the PSE as of December 31, 2024 and 2023, respectively, and its share price closed at P9.70 and P8.70, respectively, as at the same dates.

19.2 Dividends

The Bank's BOD approved the declaration of cash dividends as follows:

	Types of Shares	Date of Declaration	Date of Record	Date of Payment	Tranche	No. of Shares	Amount Per Share	Total Amount in PHP
2024								
	Common	May 15, 2024	May 10, 2024	June 10, 2024	-	818,750,094	0.45	368,437,542
	Preferred	May 15, 2024	May 10, 2024	June 10, 2024	1	12,000,000	0.80	9,600,000
					2	12,500,000	0.60	7,500,000
					3	37,500,000	0.60	22,500,000
								408,037,542
2023								
	Common	July 19, 2023	Aug 2, 2023	Aug. 15, 2023	-	818,750,094	0.35	286,562,532
	Preferred	April 19, 2023	May 2, 2023	May 15, 2023	1	12,000,000	0.80	9,600,000
					2	12,500,000	0.60	7,500,000
					3	37,500,000	0.60	22,500,000
								326,162,533

The Bank has no dividends in arrears on its preferred shares.

19.3 Appropriated Surplus

Appropriated surplus consist of:

- (a) General loan loss reserve, which pertains to the accumulated amount of appropriation from Surplus made by the Bank arising from the excess of the one-percent GLLP for outstanding loans as required by the BSP under Circular No. 1011, *Guidelines on the Adoption of PFRS 9*, over the computed allowance for ECL for Stage 1 accounts; and,
- (b) Reserve for trust business representing the accumulated amount set aside by the Bank under existing regulations requiring the Bank to appropriate and transfer to surplus 10% of its net profits accruing from their trust business until the surplus shall amount to 20% of the regulatory capital. The reserve shall not be paid out in dividends, but losses accruing in the course of the trust business may be charged against this account.

Reconciliation of appropriated surplus is as follows:

<i>(Amounts in PHP)</i>	Trust Reserves	General Loan Loss Reserves	Total
Balance at January 1, 2024	26,352,271	802,998,074	829,350,345
Appropriation during the year	<u>4,214,872</u>	<u>171,642,242</u>	<u>175,857,114</u>
Balance at December 31, 2024	<u>30,567,143</u>	<u>974,640,316</u>	<u>1,005,207,459</u>
Balance at January 1, 2023	22,227,698	711,388,112	733,615,810
Appropriation during the year	<u>4,124,573</u>	<u>91,609,962</u>	<u>95,734,535</u>
Balance at December 31, 2023	<u>26,352,271</u>	<u>802,998,074</u>	<u>829,350,345</u>
Balance at January 1, 2022	16,834,370	357,408,075	374,242,445
Appropriation during the year	<u>5,393,328</u>	<u>353,980,037</u>	<u>359,373,365</u>
Balance at December 31, 2022	<u>22,227,698</u>	<u>711,388,112</u>	<u>733,615,810</u>

Trust reserves representing a portion of the Bank's income from trust operations were made in compliance with BSP regulations (see Note 25).

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

19.4 Paid-in Capital from IPO

As mentioned in Note 19.1, the Bank's common shares were listed at the PSE in February 2013. The total proceeds received from the IPO amounted to P3,191.9 million, which exceeded par value by P1,998.4 million, net of share issuance cost of P180.2 million. The excess over par value is presented as Additional Paid-in Capital in the statements of financial position.

19.5 Revaluation Reserves

Revaluation reserves pertain to the accumulated actuarial losses of post-employment defined benefit plan and unrealized fair value gains and losses on FVOCI securities. Details of this account are presented below.

<i>(Amounts in PHP)</i>	Notes	NUGL on Securities at FVOCI	Accumulated Actuarial Losses	Total
Balance at January 1, 2024		<u>(1,003,581,753)</u>	<u>(97,934,129)</u>	<u>(1,101,515,882)</u>
Fair value loss on FVOCI securities during the year	10.2	(6,099,697)	-	(6,099,697)
Expected credit loss for FVOCI securities	10.2	(16,867,787)	-	(16,867,787)
Remeasurements of post-employment defined benefit plan	21.2	-	(6,715,998)	(6,715,998)
Other comprehensive loss		<u>(22,967,484)</u>	<u>(6,715,998)</u>	<u>(29,683,482)</u>
Tax income	23	-	1,679,000	1,679,000
		<u>(22,967,484)</u>	<u>(5,036,998)</u>	<u>(28,004,482)</u>
Balance at December 31, 2024		<u>(1,026,549,237)</u>	<u>(102,971,127)</u>	<u>(1,129,520,364)</u>

<i>(Amounts in PHP)</i>	Notes	NUGL on Securities at FVOCI	Accumulated Actuarial Losses	Total
Balance at January 1, 2023		<u>(1,536,013,208)</u>	<u>(68,278,930)</u>	<u>(1,604,292,138)</u>
Fair value gains on FVOCI securities during the year	10.2	539,514,930	-	539,514,930
Expected credit loss for FVOCI securities	10.2	(6,074,143)	-	(6,074,143)
Fair value gains reclassified to profit or loss	10.2	(1,009,332)	-	(1,009,332)
Remeasurements of post-employment defined benefit plan	21.2	-	(39,540,266)	(39,540,266)
Other comprehensive income (loss)		532,431,455	(39,540,266)	492,891,189
Tax income	23	-	9,885,067	9,885,067
		<u>532,431,455</u>	<u>(29,655,199)</u>	<u>502,776,256</u>
Balance at December 31, 2023		<u>(1,003,581,753)</u>	<u>(97,934,129)</u>	<u>(1,101,515,882)</u>
Balance at January 1, 2022		<u>(125,395,426)</u>	<u>(86,999,212)</u>	<u>(212,394,638)</u>
Fair value loss on FVOCI securities during the year	10.2	(1,404,660,931)	-	(1,404,660,931)
Expected credit losses for FVOCI securities	10.2	(6,564,187)	-	(6,564,187)
Fair value loss reclassified to profit or loss	10.2	607,336	-	607,336
Remeasurements of post-employment defined benefit plan	21.2	-	24,960,375	24,960,375
Other comprehensive income (loss)		(1,410,617,782)	24,960,375	(1,385,657,407)
Tax expense	23	-	(6,240,093)	(6,240,093)
		<u>(1,410,617,782)</u>	<u>18,720,282</u>	<u>(1,391,897,500)</u>
Balance at December 31, 2022		<u>(1,536,013,208)</u>	<u>(68,278,930)</u>	<u>(1,604,292,138)</u>

20. MISCELLANEOUS INCOME AND EXPENSES

20.1 Miscellaneous Income

This includes the following:

<i>(Amounts in PHP)</i>	Notes	2024	2023	2022
Foreign currency gains – net		252,831,148	89,960,119	44,648,107
Trade finance charges		64,029,040	67,305,945	62,650,287
Trust fees	25	42,148,722	41,245,731	53,933,280
Gain on sale of properties – net	13, 14.4	5,672,122	84,609,969	-
Others		177,064,730	148,866,732	56,995,282
		<u>541,745,762</u>	<u>431,988,496</u>	<u>218,226,956</u>

Others include rental of safe/night deposit box and dividend income.

20.2 Miscellaneous Expenses

This includes the following:

<i>(Amounts in PHP)</i>	Notes	2024	2023	2022
Transportation and travel		151,221,283	146,583,910	100,763,779
Communication		70,336,053	78,178,526	68,456,000
Information technology		69,370,467	62,085,275	47,913,679
Banking fees		53,430,877	50,745,856	48,034,939
Litigation on asset acquired	13	51,044,233	49,073,008	56,422,759
Office supplies		11,762,117	9,204,776	21,101,151
Membership dues		11,363,096	10,965,202	3,050,210
Advertising and publicity		2,843,237	2,697,059	2,866,648
Amortization of deferred charges		1,292,540	-	3,508,772
Donations and contributions		14,368	-	17,361
Fines, penalties and other chargers		-	35,026,427	77,092,877
Loss on sale of properties - net	13, 14.4	-	-	16,616,368
Freight		-	4,093,733	3,238,319
Others		54,355,214	55,526,461	43,281,311
		477,033,485	504,180,233	492,364,173

Others also include brokerage fees, commissions, appraisal and processing fees incurred by the Bank.

21. EMPLOYEE BENEFITS

21.1 Salaries and Other Employee Benefits Expense

Expenses recognized for salaries and other employee benefits are broken down below.

<i>(Amounts in PHP)</i>	Note	2024	2023	2022
Salaries and wages		802,126,125	751,383,058	705,621,515
Bonuses		197,721,741	184,719,614	175,210,399
Social security costs		70,466,667	60,382,321	46,088,185
Post-employment defined benefit plan	21.2	46,743,054	41,323,158	40,967,462
Other short-term benefits		228,128,763	321,198,213	215,542,030
		1,345,186,350	1,359,006,364	1,183,429,591

21.2 Post-employment Benefit

(a) Characteristics of the Defined Benefit Plan

The Bank maintains a funded, tax-qualified, noncontributory post-employment benefit plan that is being administered by the Bank's trust department that is legally separated from the Bank. The Bank's Retirement Plan Committee, in coordination with the Bank's trust department, acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60. Normal retirement benefit is an amount equivalent to 100% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2024 and 2023.

The amounts of post-employment defined benefit obligation recognized as part of Accrued Expenses and Other Liabilities (see Note 17) in the statements of financial position are determined as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Present value of the defined benefit obligation	466,571,729	423,969,708
Fair value of plan assets	<u>(365,111,519)</u>	<u>(328,437,384)</u>
	<u>101,460,210</u>	<u>95,532,324</u>

The movements in the present value of the post-employment defined benefit obligation are as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	423,969,708	365,268,283
Current service cost	46,743,054	41,323,158
Interest expense	25,946,946	26,372,370
Benefits paid	(23,815,539)	(20,673,346)
Remeasurements:		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	(208,605)	19,464,467
Experience adjustments	(6,252,894)	(4,821,437)
Changes in demographic assumptions	<u>189,059</u>	<u>(2,963,787)</u>
Balance at end of year	<u>466,571,729</u>	<u>423,969,708</u>

The movements in the fair value of plan assets are presented below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	328,437,384	306,774,356
Contributions to the plan	52,500,000	47,094,485
Interest income	20,978,112	23,102,912
Return on plan assets (excluding amounts included in net interest)	(12,988,438)	(27,861,023)
Benefits paid	(23,815,539)	(20,673,346)
Balance at end of year	<u>365,111,519</u>	<u>328,437,384</u>

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	72,730,215	93,834,561
Corporate bonds	211,290,036	183,103,842
Equity securities	52,612,570	50,874,951
Unit investment trust fund	28,478,698	-
Accrued interest income	-	624,030
	<u>365,111,519</u>	<u>328,437,384</u>

The fair values of the above equity securities, unit investment trust fund, government and corporate bonds are determined based on quoted market prices in active markets.

The plan assets earned an actual return of P8.0 million and incurred a loss of P4.8 million in 2024 and 2023, respectively.

Plan assets include certain financial instruments of the Bank (see Note 22).

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
<i>Reported in profit or loss:</i>			
Current service cost	46,743,054	41,323,158	40,967,462
Net interest expense	4,968,834	3,269,458	3,805,587
	<u>51,711,888</u>	<u>44,592,616</u>	<u>44,773,049</u>
<i>Reported in other comprehensive income:</i>			
Actuarial losses (gains) arising from:			
Changes in financial assumptions	(208,605)	19,464,467	(39,995,010)
Experience adjustments	(6,252,894)	(4,821,437)	19,452,858
Changes in demographic assumptions	189,059	(2,963,787)	(869,786)
Return on plan assets (excluding amounts included in net interest expense)	<u>12,988,438</u>	<u>27,861,023</u>	<u>(3,548,437)</u>
	<u>6,715,998</u>	<u>39,540,266</u>	<u>(24,960,375)</u>

Current service cost is presented as part of Salaries and Other Employee Benefits (see Note 21.1) under the caption Other Expenses while net interest expense is presented as Interest Expense in the statements of profit or loss.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Discount rates	6.13%	6.12%	7.22%
Expected rate of salary increases	6.00%	6.00%	6.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 26 years for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bonds with terms to maturity approximating the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Bank to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

Currently, the plan has relatively balanced investment in cash and cash equivalents and debt and equity securities. Due to the long-term nature of the plan obligation, a level of continuing debt and equity investments is an appropriate element of the Bank's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Bank's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described in the succeeding pages.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit asset as of December 31, 2024 and 2023:

(Amounts in PHP)

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2024			
Discount rate	+4.7%/-4.3%	21,775,990	(20,004,502)
Salary rate	+4.6%/-4.3%	(21,591,262)	20,210,809
Increase in DBO if no attrition rate	+20.1%	93,769,008	-
December 31, 2023			
Discount rate	+4.6%/-4.2%	19,349,409	(17,767,998)
Salary rate	+4.5%/-4.2%	(17,949,605)	19,183,334
Increase in DBO if no attrition rate	+20.4%	86,339,325	-

The foregoing sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

(ii) *Asset-liability Matching Strategies*

To efficiently manage the retirement plan, the Bank through its Retirement Plan Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve those long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency.

The Bank actively monitors how the duration, and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

As of December 31, 2024 and 2023, the plan is heavily invested in cash and cash equivalents and debt and equity securities. The Bank believes that cash and cash equivalents and debt and equity securities offer the best returns over the long term with an acceptable level of risk.

There has been no change in the Bank's strategies to manage its risks from previous periods.

(iii) *Funding Arrangements and Expected Contributions*

The plan currently is underfunded by P101.5 million based on the latest actuarial valuation. While there is no minimum funding requirement in the country, the Bank is funding its plan assets to manage the cash flow risk in about five years' time when a significant number of employees is expected to retire.

The Bank expects to contribute P54.0 million to retirement benefit plan in 2025.

The maturity profile of undiscounted expected benefit payments from the plan for the next 10 years follows:

<i>(Amounts in PHP)</i>	2024	2023
Within one year	147,985,197	151,303,616
More than one year to five years	283,018,712	234,152,282
More than five years to 10 years	338,711,421	298,597,256
	769,715,330	684,053,154

The weighted average duration of the defined benefit obligation at the end of the reporting period is 4.4 years.

22. RELATED PARTY TRANSACTIONS

For purposes of reporting to the SEC in accordance with SEC Memorandum Circular No. 10-2019, *Rules on Material Related Party Transactions for Publicly Listed Companies*, transaction amounting to 10% or more of the total assets that were entered into with related parties are considered material. All individual material related party transactions shall be approved by at least two-thirds vote of the board of directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Bank's total assets, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

A summary of the Bank's transactions with related parties is presented below.

Related Party Category	Note	Amount of Transaction			Outstanding Balance	
		2024	2023	2022	2024	2023
(Amount in PHP)						
Shareholders:						
Deposit liabilities	22.1	(347,444,176)	1,553,475,429	119,938,269	2,970,112,366	3,317,556,542
Interest expense	22.1	31,122,731	46,252,377	8,875,438	-	-
Loans	22.2	1,000,000	-	-	651,000,000	650,000,000
Interest income	22.2	16,932,814	8,265,217	2,694,579	-	-
Related parties under common ownership:						
Deposit liabilities	22.1	(652,196,925)	87,667,362	580,314,395	6,044,740,840	6,696,937,765
Interest expense	22.1	106,137,352	101,366,654	58,065,206	-	-
Loans	22.2	364,224	3,602,586	-	4,966,810	4,602,586
Interest income	22.2	532,157	34,168	2,694,579	-	-
Key management personnel:						
Deposit liabilities	22.1	(19,159,023)	19,223,919	(70,219,016)	32,137,546	51,296,569
Interest expense	22.1	1,120,021	940,530	215,806	-	-
Loans	22.2	-	2,228,034	(7,101,214)	-	12,085,072
Interest income	22.2	-	22,452	(846,286)	-	621,933
Compensation	22.4	204,492,348	201,157,223	200,030,540	-	-
Other related interests:						
Deposit liabilities	22.1	1,436,234,668	9,191,632	63,800,565	1,543,748,425	107,513,757
Interest expense	22.1	24,020,317	3,377,262	1,142,463	-	-
Loans	22.2	722,434,223	200,184,178	553,051,659	218,958,614	286,790,251
Interest income	22.2	4,019,239	8,265,217	2,694,579	-	-
Retirement fund:						
Contribution	22.3	46,743,054	47,094,485	37,133,819	-	-
Plan assets	22.3	36,191,672	22,145,491	24,139,206	365,111,519	328,919,847

Details of the foregoing transactions are as follows:

22.1 Deposits

The total balance of deposits is inclusive of the corresponding accrued interest as of December 31, 2024 and 2023.

Deposit liabilities transactions with related parties have similar terms with other counterparties (see Note 15). Annual interest rates on deposit liabilities range from 1.4% to 6.0% in 2024, 01.4% to 6.3% in 2023, and from 0.1% to 6.3% in 2022.

22.2 Loans

Under existing policies of the Bank, loan transactions with related parties are made substantially on the same terms as loans to other individuals and businesses of comparable risks and are normally settled in cash. Based on management's assessment as of December 31, 2024 and 2023, allowance for impairment of P9.6 million and P10.6 million, respectively, is recognized on the Bank's loans to its related parties.

Other information relating to the loans, other credit accommodations and guarantees granted to key management personnel and other related parties are presented in Note 29(f).

As of December 31, 2024 and 2023, the Bank has an approved line of credit to certain related parties totaling P1,006.7 million and P1,008.9 million, respectively, and all were used to guarantee the obligation of the respective related parties to other creditors up to the extent of the unused line of credit.

22.3 Transactions with Retirement Fund

The Bank's transactions with its retirement fund as of December 31, 2024 and 2023 relate only to its contributions to the plan and certain placements made by the plan to the Bank.

The retirement plan assets are placed with the Bank, as administered by the Bank's trust department, comprise cash in bank, short-term placements, corporate bonds, and equity securities amounting to P365.1 million and P328.4 million in 2024 and 2023, respectively, as disclosed in Note 21.2.

Cash and cash equivalents include time deposits issued by the Bank amounting to P72.7 million and P90.6 million as of December 31, 2024 and 2023, respectively.

Equity securities include shares issued by the Bank with fair value of P52.6 million and P50.9 million as of December 31, 2024 and 2023, respectively.

The retirement fund neither provides any guarantee or surety for any obligation of the Bank nor its investments by any restrictions or liens.

22.4 Key Management Personnel Compensation

Salaries and short-term benefits received by key management personnel are summarized below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Short-term benefits	190,173,730	196,702,715	193,106,967
Post-employment benefits	14,318,618	4,454,508	6,923,573
	<u>204,492,348</u>	<u>201,157,223</u>	<u>200,030,540</u>

The composition of the Bank's short-term benefits are as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Salaries and wages	145,218,961	152,489,625	147,856,807
Bonuses	35,075,101	36,617,816	37,497,977
Social security costs	4,409,090	3,761,083	2,935,449
Other short-term benefits	5,470,578	3,834,191	4,816,734
	<u>190,173,730</u>	<u>196,702,715</u>	<u>193,106,967</u>

23. TAXES

The components of tax expense for the years ended December 31 are as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
<i>Reported in profit or loss</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 25%:			
Regular banking unit (RBU)	514,656,066	531,074,234	635,251,297
FCDU	4,946,362	8,692,025	3,107,463
Final tax at 20% and 10%	246,275,477	221,645,541	133,438,308
	<u>765,877,905</u>	<u>761,411,800</u>	<u>771,797,068</u>
Deferred tax expense relating to:			
Origination and reversal of temporary Differences	(151,851,593)	(246,077,166)	(220,767,026)
	<u>614,026,312</u>	<u>515,334,634</u>	<u>551,030,042</u>
<i>Reported in other comprehensive income</i>			
Deferred tax expense (income) relating to:			
Origination and reversal of temporary differences	(1,679,000)	(9,885,067)	6,240,093

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of profit or loss is presented below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Tax on pretax profit at 25%	599,024,233	584,837,904	465,619,884
Adjustment for income subjected to lower tax rate	(67,735,731)	(34,589,791)	(30,453,805)
Tax effects of:			
Non-taxable income	175,420,918	(159,759,230)	(58,830,592)
Non-deductible expenses	<u>(92,683,108)</u>	<u>124,845,751</u>	<u>174,694,555</u>
	<u>614,026,312</u>	<u>515,334,634</u>	<u>551,030,042</u>

In 2024 and 2023, the Bank is subject to minimum corporate income tax (MCIT) computed at 2.00% and 1.50% of gross income, net of allowable deductions, respectively, as defined under the tax regulations or to RCIT, whichever is higher. No MCIT was reported in 2024 and 2023 as the RCIT was higher than MCIT in those years.

The net deferred tax assets as of December 31, 2024 and 2023 relate to the following:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Deferred tax assets:		
Allowance for impairment	1,678,251,195	1,567,434,277
Lease liabilities	138,139,437	114,128,222
Accumulated depreciation of investment properties	64,542,514	51,767,253
Post-employment benefit	19,303,485	23,883,082
Provision for bonus and accrued leave conversion	21,221,309	12,384,450
Unamortized past service cost	<u>6,061,569</u>	<u>6,209,456</u>
	<u>1,927,519,509</u>	<u>1,775,806,740</u>
Deferred tax liabilities:		
Right-of-use assets	(126,901,818)	(104,692,890)
Accrued interest receivable	(20,499,523)	(43,268,992)
Unamortized payments on documentary stamp tax	<u>(13,845,202)</u>	<u>(15,102,486)</u>
	<u>(161,246,543)</u>	<u>(163,064,368)</u>
Net deferred tax assets	<u>1,766,272,966</u>	<u>1,612,742,372</u>

The movements in net deferred tax assets for the years ended December 31 follow:

<i>(Amounts in PHP)</i>	Statements of Profit or Loss			Statements of Comprehensive Income		
	2024	2023	2022	2024	2023	2022
Impairment losses	(110,816,918)	(236,356,650)	(194,985,691)	-	-	-
Lease liabilities	(24,011,215)	(30,857,152)	(20,814,462)	-	-	-
Accrued interest income	(22,769,469)	(6,835,810)	(15,403,290)	-	-	-
Amortization of right-of-use assets	22,208,928	32,938,372	23,675,414	-	-	-
Depreciation expense of investment properties	(12,775,261)	(13,664,407)	(11,487,088)	-	-	-
Provision for director's bonus	(8,836,858)	7,364,236	-	-	-	-
Post-employment benefit	6,258,597	(5,777,113)	-	-	-	-
Unamortized payments on documentary stamp tax	(1,257,284)	7,928,723	(1,546,328)	-	-	-
Unamortized past service cost	147,887	625,467	(1,909,808)	(1,679,000)	(9,885,067)	6,240,093
Gain on bargain purchase	-	(1,442,832)	1,704,227	-	-	-
Deferred tax expense (income)	<u>(151,851,593)</u>	<u>(246,077,166)</u>	<u>(220,767,026)</u>	<u>(1,679,000)</u>	<u>(9,885,067)</u>	<u>6,240,093</u>

As of December 31, 2024 and 2023, the Bank has unrecognized deferred tax assets amounting to P6.7 million and P4.7 million, respectively, relating to certain allowance for impairment.

The management believes that the related unrecognized deferred tax assets will not be utilized in the subsequent periods. For the years ended December 31, 2024 and 2023, the Bank opted to claim itemized deductions. The Bank is also subject to percentage and other taxes, which consist principally of gross receipts tax or GRT, presented as part of Taxes and licenses in the Statements of profit or loss.

24. COMMITMENTS AND CONTINGENT LIABILITIES

The following are the commitment contingent liabilities of the Bank:

- (a) In the normal course of the Bank's operations, the Bank has various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, and others, which are not reflected in the financial statements.
- (b) There are other commitments, guarantees and contingent liabilities that arise in the normal course of the Bank's operations that are not reflected in the financial statements. The Bank recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable.

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

25. TRUST OPERATIONS

The Bank acts as a trustee and in other fiduciary capacity that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and their income arising thereon are excluded from these financial statements, as these are neither resources nor income of the Bank.

As of December 31, 2024 and 2023, the following securities and other properties held by the Bank in fiduciary or agency capacity (for a fee) for its customers are not included in the statements of financial position since these are not resources of the Bank [(see Note 29(h))]:

<i>(Amounts in PHP)</i>	2024	2023
Loans and other receivables	527,386,263	1,072,008,144
Due from banks	4,244,912,371	3,235,657,573
Investment securities	5,198,101,568	4,673,867,710
Other assets	-	2,484,000,000
	<u>9,970,400,202</u>	<u>11,465,533,427</u>

In compliance with the requirements of the General Banking Act relative to the Bank's trust functions:

- (a) Government securities owned by the Bank with face value of P375.0 million and P130.0 million as of December 31, 2024 and 2023 are deposited with the BSP (see Note 10.2); and,
- (b) Ten percent of the trust income is transferred to the appropriated surplus. This transfer is required until the surplus reserve for trust function is equivalent to 20% of the Bank's authorized capital stock (see Note 19.3). Additional reserve for trust functions amounted to P4.2 million, P4.1 million and P5.4 million in 2024, 2023 and 2022, respectively, and are presented as part of Appropriated Surplus in the Bank's statements of changes in equity.

Income from trust operations, shown as part of Miscellaneous Income in the statements of profit or loss, amounted to P42.1 million, P41.2 million and P53.9 million in 2024, 2023 and 2022, respectively (see Note 20.1).

26. ALLOWANCE FOR IMPAIRMENT

A reconciliation of allowance for impairment at the beginning and end of 2024 and 2023 are summarized below.

<i>(Amounts in PHP)</i>	Notes	2024	2023
Balance at beginning of year:			
Loans and other receivables	11	5,925,505,102	4,992,803,070
Investment properties	13	345,461,332	335,215,368
Investment securities at amortized cost	10.3	15,777,698	13,299,092
Other resources	14	1,654,737	1,654,737
		6,288,398,869	5,342,972,267
Impairment losses – net	10.3, 11, 13	958,395,769	1,053,438,713
Write-offs	11	520,059,096	108,012,111
		438,336,673	945,426,602
Balance at end of year:			
Loans and other receivables	11	6,435,438,678	5,925,505,102
Investment properties	13	260,133,664	345,461,332
Investment securities at amortized cost	10.3	15,777,698	15,777,698
Other resources	14	15,385,502	1,654,737
		6,726,735,542	6,288,398,869

27. EARNINGS PER SHARE

Basic and diluted earnings per share are computed as follows:

<i>(Amounts in PHP)</i>	2024	2023	2022
Net profit	1,782,070,621	1,824,016,980	1,311,449,494
Dividends on preferred shares	(39,600,000)	(39,600,000)	(118,800,000)
Net profit attributable to common shareholders	1,742,470,621	1,784,416,980	1,192,649,494
Divided by the weighted average number of outstanding common shares	818,750,094	799,572,012	643,750,094
Basic earnings per share	2.13	2.23	1.85

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

28. SUPPLEMENTARY INFORMATION TO STATEMENTS OF CASH FLOWS

28.1 Significant Non-cash Transactions

Significant non-cash transactions in 2024 are as follows:

- The Bank has recognized additional right-of-use assets and lease liabilities amounting to P271.7 million (see Notes 12 and 17) relating to renewal of leases.
- The Bank has foreclosed and repossessed (or through dacion in payment) certain real and chattel properties amounting to P607.8 million and P110.4 million, respectively (see Notes 13 and 14.4).

Significant non-cash transactions in 2023 are as follows:

- The Bank has recognized additional right-of-use assets and lease liabilities amounting to P289.4 million (see Notes 12 and 17) relating to renewal of leases.
- The Bank has foreclosed and repossessed (or through dacion in payment) certain real and chattel properties amounting to P427.6 million and P35.3 million, respectively (see Notes 13 and 14.4).

Significant non-cash transactions in 2022 are as follows:

- The Bank has recognized additional right-of-use assets and lease liabilities amounting to P228.9 million (see Notes 12 and 17) relating to renewal of leases.
- The Bank has foreclosed and repossessed (or through dacion in payment) certain real and chattel properties amounting to P788.0 million and P230.6 million, respectively (see Notes 13 and 14.4).

28.2 Reconciliation of Liabilities Arising from Financing Activities

Presented below is the reconciliation of the Bank's liabilities arising from financing activities, which includes both cash and non-cash changes.

<i>(Amounts in PHP)</i>	Bills Payable (see Note 16)	Corporate Notes Payable	Lease Liabilities (see Note 17)	Total Financing Activities
Balance at January 1, 2024	4,750,000,000	-	456,512,888	5,206,512,888
Cash flow from financing activities:				
Availment	25,862,500,000	-	-	25,862,500,000
Payments/redemption	(26,050,000,000)	-	(175,615,511)	(26,225,615,511)
Non-cash financing activities:				
Additions to lease liabilities	-	-	271,660,369	271,660,369
Balance at December 31, 2024	4,562,500,000	-	552,557,746	5,115,057,746
Balance at January 1, 2023	1,500,000,000	-	333,084,279	1,833,084,279
Cash flow from financing activities:				
Availment	4,500,000,000	-	-	4,500,000,000
Payments/redemption	(1,250,000,000)	-	(165,946,559)	(1,415,946,559)
Non-cash financing activities:				
Additions to lease liabilities	-	-	289,375,168	289,375,168
Balance at December 31, 2023	4,750,000,000	-	456,512,888	5,206,512,888
Balance at January 1, 2022	-	2,995,352,640	249,826,430	3,245,179,070
Cash flow from financing activities:				
Availment	2,000,000,000	-	-	2,000,000,000
Payments/redemption	(500,000,000)	(3,000,000,000)	(145,630,698)	(3,645,630,698)
Non-cash financing activities:				
Amortization of discount	-	4,647,360	-	4,647,360
Additions to lease liabilities	-	-	228,888,547	228,888,547
Balance at December 31, 2022	1,500,000,000	-	333,084,279	1,833,084,279

29. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below and in the succeeding pages are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP Manual of Regulations for Banks (MORB) to be disclosed as part of the notes to financial statements based on BSP Circular No. 1074, *Amendments to Regulations on Financial Audit of Banks*.

(a) *Selected Financial Performance Indicators*

The following are some indicators of the Bank's financial performance.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Return on average capital			
<u>Net profit</u>	9.5%	11.2%	9.0%
Average total capital accounts			
Return on average resources			
<u>Net profit</u>	1.1%	1.3%	1.0%
Average total resources			
Net interest margin			
<u>Net interest income</u>	4.3%	4.6%	4.3%
Average interest earning resources			

(b) *Capital Instruments Issued*

As of December 31, 2024 and 2023, the Bank has no capital instruments considered in the computation of the Bank's regulatory and qualifying capital in accordance with Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which may include, instruments recorded as part of equity or a financial liability qualifying as Tier 2 capital.

(c) *Significant Credit Exposures for Loans*

The Bank's concentration of credit as to industry for its receivables from customers, gross of unamortized charges, unearned discount, and allowance for ECL, follows:

(Amounts in thousands PHP)

	2024		2023	
	Amount	Percentage	Amount*	Percentage
Wholesale and retail trade	49,602,164	37.5%	42,733,376	36.0%
Construction	17,851,404	13.5%	11,585,188	9.9%
Manufacturing	15,528,996	11.7%	13,462,005	11.5%
Real estate activities	13,468,754	10.2%	16,229,449	13.9%
Financial and insurance activities	7,195,245	5.4%	5,679,964	4.9%
Accommodation and food service				
Activities	5,686,901	4.3%	4,809,751	4.1%
Transportation and storage	5,242,346	4.0%	5,422,045	4.6%
Electricity, gas, steam and				
air-conditioning supply	4,374,963	3.3%	4,637,011	4.0%
Consumption	3,481,168	2.6%	3,567,826	3.0%
Water supply, sewerage, waste				
management and remediation				
activities	2,311,234	1.7%	2,748,564	2.3%
Agriculture, forestry and fishing	1,404,575	1.1%	1,367,624	1.2%
Administrative and support services	1,178,146	0.9%	1,466,559	1.3%
Information and communication	994,694	0.8%	245,135	0.2%
Mining and quarrying	916,599	0.7%	988,877	0.9%
Professional, scientific, and technical				
activities	559,154	0.4%	1,332,678	1.1%
Education	314,602	0.2%	296,080	0.3%
Arts, entertainment and recreation	46,210	0.0%	20,710	0.0%
Human health and social service				
Activities	29,024	0.0%	34,112	0.0%
Activities of private household as				
employers and undifferentiated				
goods and services and producing				
activities of households for own use	3,331	0.0%	3,331	0.0%
Other service activities	2,279,532	1.7%	878,221	0.8%
	132,469,042	100%	117,508,506	100%

* Excludes unamortized charges from capitalized commission amounting to nil and P0.3 million in 2024 and 2023, respectively.

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable or 10% of Tier 1 capital.

As of December 31, 2024 and 2023, 10% of Tier 1 capital amounted to P1.7 billion and P1.6 billion, respectively, and the table below shows the industry groups exceeding this level.

<i>(Amounts in thousands PHP)</i>	2024	2023
Wholesale and retail trade	49,602,164	42,399,980
Construction	17,851,404	11,585,188
Manufacturing	15,528,996	13,462,005
Real estate activities	13,468,754	16,229,449
Financial and insurance activities	7,195,245	5,679,964
Accommodation and food service activities	5,686,901	4,809,751
Transportation and storage	5,242,346	5,422,045
Electricity, gas, steam and air-conditioning supply	4,374,963	4,637,011
Consumption	3,481,168	3,567,826
Water supply, sewerage, waste management and remediation activities	2,311,234	2,748,564

(d) *Credit Status of Loans*

The breakdown of receivable from customers as to status is shown below and in the succeeding page.

<i>(Amounts in thousands PHP)</i>	2024		
	Performing	Non-performing	Total Loan Portfolio
Gross carrying amount:			
Corporate	114,531,845	6,813,814	121,345,659
Consumer	9,895,841	660,797	10,556,638
	124,427,686	7,474,611	131,902,297
Allowance for ECL	2,155,443	4,114,681	6,270,124
Net carrying amount	122,272,243	3,359,930	125,632,173
2023			
	Performing	Non-performing	Total Loan Portfolio
Gross carrying amount:			
Corporate	102,803,516	6,240,210	109,043,726
Consumer	7,697,307	434,077	8,131,384
	110,500,823	6,674,287	117,175,110
Allowance for ECL	1,949,377	3,786,867	5,736,244
Net carrying amount	108,551,446	2,887,420	111,438,866

As of December 31, 2024 and 2023, the non-performing loans (NPLs) not fully covered by allowance for credit losses follow:

<i>(Amounts in thousands PHP)</i>	2024	2023
Gross NPLs	7,474,611	6,674,287
NPLs fully covered by allowance for impairment	(4,114,681)	(3,786,867)
	<u>3,359,930</u>	<u>2,887,420</u>

Under banking regulations, loan accounts shall be considered non-performing, even without any missed contractual payments, when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal or interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least 6 months; or (b) written off.

Restructured loans amount to P5,216.9 million and P4,505.4 million as of December 31, 2024 and 2023, respectively. The related allowance for credit loss of such loans amounted to P628.7 million and P494.5 million as of December 31, 2024 and 2023, respectively.

Interest income recognized on impaired loans and receivables amounted to P498.6 million and P388.4 million in 2024 and 2023, respectively.

(e) *Analysis of Loan Portfolio as to Type of Security*

As to security, receivable from customers (excluding unamortized charges from capitalized commission), gross of allowance and unearned discount, are classified into the following:

<i>(Amounts in thousands PHP)</i>	2024	2023
Secured:		
Real estate mortgage	64,010,388	48,314,969
Chattel mortgage	7,940,182	7,738,251
Deposit hold-out	7,328,578	5,166,680
	<u>79,279,148</u>	<u>61,219,900</u>
Unsecured	52,623,149	55,955,210
	<u>131,902,297</u>	<u>117,175,110</u>

(f) *Information on Related Party Loans*

In the ordinary course of business, the Bank has loan transactions with their other affiliates, and with certain DOSRI. Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

Under the current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Bank and/or any of its lending and nonbank financial subsidiaries. In the aggregate, loans to DOSRIs, generally, should not exceed the total equity or 15% of the total loan portfolio of the Bank. However, non-risk loans are excluded in both individual and aggregate ceiling computation.

The following table shows the information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31, 2024 and 2023 in accordance with BSP reporting guidelines:

<i>(Amounts in thousands PHP)</i>	DOSRI Loans		Related Party Loans (inclusive of DOSRI)	
	2024	2023	2024	2023
Total outstanding loans	706,125	705,361	925,084	953,478
% of loans to total loan portfolio	0.53%	0.60%	0.70%	0.81%
% of unsecured loans to total DOSRI/related party loans	6.60%	6.72%	5.04%	4.97%
% of past due loans to total DOSRI / related party loans	0.0%	0.05%	2.83%	3.0%
% of non-performing loans to total DOSRI/related party loans	0.0%	0.0%	2.83%	3.0%

Secured DOSRI loans are collateralized by hold-out on deposits and are payable within three months to five years.

As of December 31, 2024 and 2023, the Bank is in compliance with these regulatory requirements.

(g) *Secured Liabilities and Assets Pledged as Security*

As of December 31, 2024 and 2023, certain loan and other receivables amounting to P297.0 million and P500.0 million, were used to secure a P62.5 million short-term bills payable and a P500.0 million long-term bills payable, respectively.

As of December 31, 2024 and December 31, 2023, certain government securities at FVOCI with a total amount of P4,054.7 million P3,650.0 million are assigned as collateral to secure borrowings under credit line agreement amounting to P3,000.0 million.

(b) *Contingencies and Commitments Arising from Off-balance Sheet Items*

The summary of the Bank's commitments and contingent accounts arising from transactions not given recognition in the statements of financial position, expressed at their equivalent peso contractual amounts as of December 31, 2024 and 2023 are as follows:

<i>(Amounts in PHP)</i>	2024	2023
Trust and other fiduciary accounts	9,970,400,202	11,465,533,427
Outstanding letters of credit	667,520,632	1,229,113,440
Late payment/deposits received	4,678,643	5,441,887
Outward bills for collection	3,305,997	1,626,771
Items held as collateral	106,443	108,581
Items held for safekeeping	82,893	70,007
Other contingent accounts	2,365,909,581	2,090,052,393

30. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

The following is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year which is required by the Bureau of Internal Revenue (BIR) under Revenue Regulation No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS Accounting Standards.

(a) *Gross Receipts Tax*

In lieu of the value-added tax, the Bank is subject to the Gross Receipts Tax (GRT), pursuant to Sections 121 and 122 of the Tax Code, which is imposed on banks, non-banks financial intermediaries and finance companies.

In 2024, the Bank reported total GRT amounting to P501,514,854.

GRT is levied on the Bank's lending income, which includes interest, commission and discounts arising from instruments with a maturity of five years or less and other income. The tax is computed at the prescribed rates of either 5% or 1% of the related income.

(b) *Documentary Stamp Tax*

The Bank is enrolled under the Electronic Documentary Stamp Tax (e-DST) System starting July 2010. In 2024, DST remittance thru e-DST amounted to P1,065,029,137, while DST on deposits for remittance amounted to P431,920,720. In general, the Bank's DST transactions arise from the execution of debt instruments, lease contracts and deposit liabilities.

DST on loan documents and letters of credit in 2024 amounting to P633,108,417 were charged to borrowers and these were properly remitted by the Bank.

DST accruing to the Bank amounted to P471,360,951 and is presented as part of the Taxes and Licenses in the 2024 statement of profit or loss.

(c) *Taxes and Licenses*

Details of taxes and licenses for the year ended December 31, 2024 are as follows:

(Amounts in PHP)

Gross receipts tax	501,514,854
DST	471,360,951
Business tax	28,046,224
Miscellaneous	<u>3,408,603</u>
	<u>1,004,330,612</u>

DST includes an unamortized amount of P25.3 million recognized as deductible in full for income tax purposes.

(d) *Withholding Taxes*

Details of total withholding taxes for the year ended December 31, 2024 are shown below.

(Amounts in PHP)

Final	726,477,917
Compensation and benefits	89,336,420
Expanded	<u>46,084,815</u>
	<u>861,899,152</u>

(e) *Deficiency Tax Assessments and Tax Cases*

As of December 31, 2024, the Bank does not have any outstanding final deficiency tax assessments from the BIR nor does it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR in any open taxable year.

(f) *Other Required Tax Information*

The Bank did not have any transactions in 2024, which are subject to excise tax, customs duties, and tariff fees.



PHILIPPINE
BUSINESSBANK

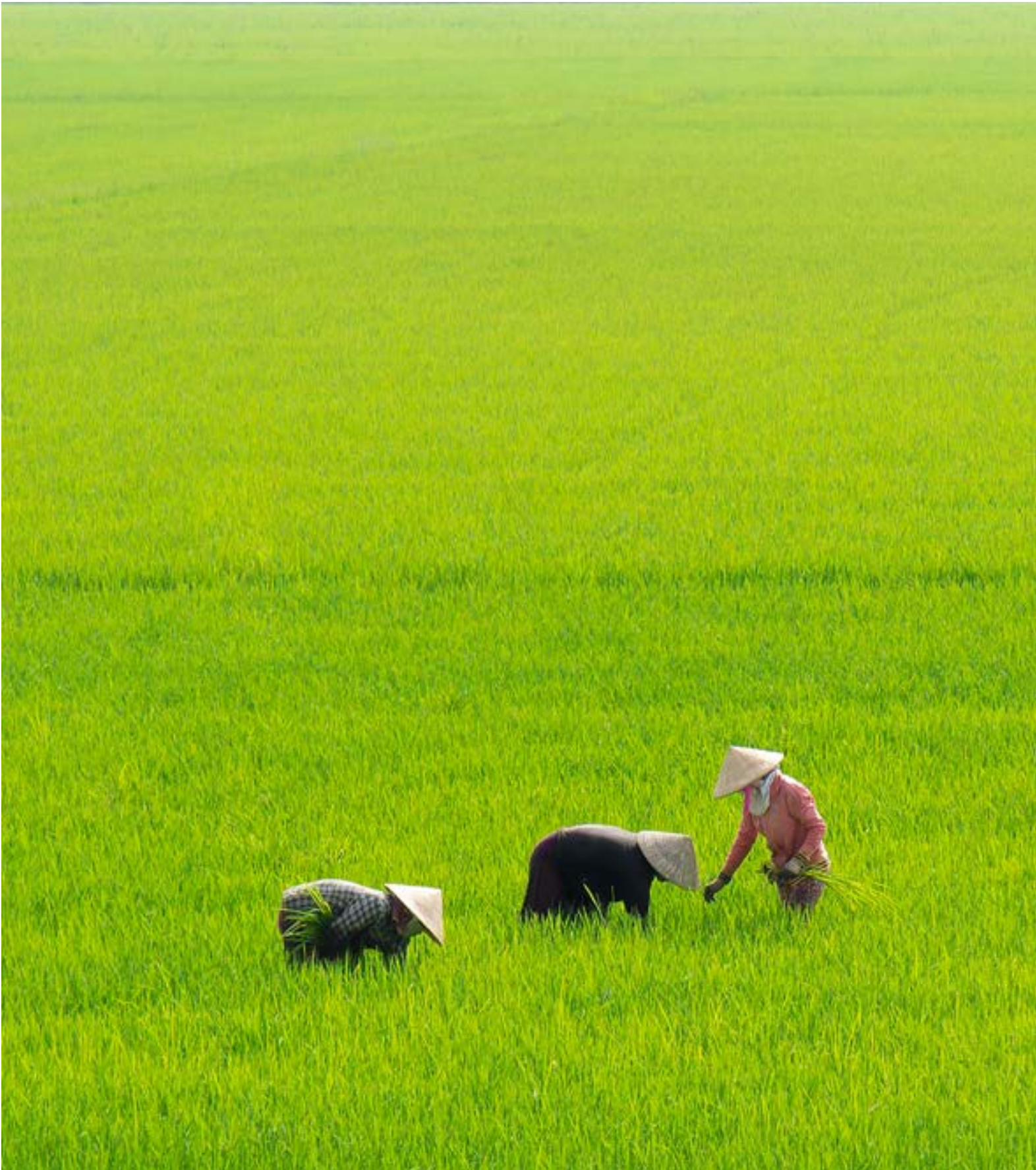
a savings bank

Making Things Happen...Today!



2024

Sustainability Report



Contents

About the Report	03
PBB Sustainability Framework	04
Reporting Principles	05
ESG Shareholders	06
Contextual Information	07
Economic Disclosures	08
Environmental Disclosures	13
Social Disclosures	21
2024 Sustainability Highlights	33
GRI Content Index	41

About the Report

This report is Philippine Business Bank's sixth Sustainability Report outlining the Bank's environmental, social, and governance (ESG) performance from January to December 2024. It should be read in tandem with the PBB Annual Report 2024 and other disclosures on the PBB website at www.pbb.com.ph.

PBB's Sustainability Report 2024 has been prepared with reference to the Global Reporting Initiative (GRI) Standards 2021. It is compliant with the Securities and Exchange Commission's Memorandum Circular No. 4 Series of 2019 titled Sustainability Reporting Guidelines for Publicly Listed Companies.

Information from our corporate units and branches on their ESG performance based on our sustainability framework of "Economic Viability, People, and Planet" was gathered covering the entire year of 2024.

The GRI Content Index in this report is consistent with the requirements for reporting with reference to GRI's 2021 revised standards. The said index is clearly presented and accessible to the Bank's stakeholders.

In addition, the Bank also reports on the main initiatives it develops with society and the environment, particularly in the communities where it operates, with special attention to its relationship with the partner schools and universities under the AMY Foundation.

PBB is pleased to report its performance in terms of culture, responsible banking, and sustainable development. The 2024 Sustainability Report informs about the main actions and commitments of the Bank in these areas and in relation to its main stakeholders.



PBB Sustainability Framework

The Bank's sustainability framework defines the strategies that serve as guideposts in its journey toward sustainability. It is anchored on the three pillars of Economic Viability, People, and Planet.



For the purpose of defining report content, the following reporting principles were adhered to:



Stakeholder Inclusiveness – identified shareholders and response to their expectations



Sustainability Context – identified performance measures in the wider context of sustainable development



Materiality – identified economic, social, and environmental issues that impact our business growth and are of utmost importance to our stakeholder



Completeness – identified material topics that are covered within boundaries that ensure the provision of sufficient information reflecting the significant economic, social, and environmental issues within the reporting period

Sustainability performance indicators of PBB that pertain to corporate social responsibility demonstrate the Bank's pledge to support education, people's welfare, and partnering for organizational success.

Banking data contained in the PBB Annual Report is the source of all collected information as verified by the Grant Thornton Philippines (Punongbayan & Araullo), an independent firm that has also audited PBB's annual financial statements for the year 2024.

Data and contents of this report aim to provide complete, accurate, reliable, and timely information to PBB's stakeholders, especially about the risks that affect the Bank and its environment. The actions that management implement to ensure that the identified risks are mitigated have also been provided as disclosures.

ESG Stakeholders



For PBB, its key ESG stakeholders include shareholders, employees, clients, and regulators, each with varying priorities and expectations regarding ESG issues. With increasing attention on corporate social responsibility, the concept has been extended to include suppliers, communities, NGOs, and the environment itself.

- Shareholders/Investors:** For the PBB owners, ESG performance is becoming more increasingly important for attracting and retaining investment, with more investors demanding transparency and responsible practices. They are also increasingly using ESG criteria to assess borrowing companies and make lending / investment decisions, seeking long-term value creation and sustainable practices.
- Employees:** PBB must ensure fair labor practices, overall health and welfare, social diversity, inclusion and non-discrimination for all its employees, whether on contractual or regular basis. With ESG awareness now part of its training module, the Bank is expected to be ethical and socially responsible, as ESG practices can enhance employee engagement and retention.
- Management:** PBB Senior Management is responsible for integrating ESG into the Bank's budget, forecasts, strategic plans, policies and procedures, and daily operations.
- Regulators:** PBB is closely monitoring ESG regulatory requirements since regulators are actively developing ESG regulations and reporting requirements for banks. The regulatory bodies play a crucial role in setting standards and enforcing ESG regulations, and this impacts how PBB will be operating to comply with the regulatory requirements.
- Clients:** PBB Clients are becoming increasingly interested in the ESG performance of the Bank, looking for transparency and more ethical practices. Customers are more conscious of ESG performance and may choose banks that align with their values and expectations.
- Suppliers:** PBB ensures that its suppliers adhere to ethical and sustainable standards, including fair labor practices and environmental responsibility. As part of the regulatory requirement, PBB need to ensure that its supply chains are sustainable and ethical, requiring engagement with suppliers on ESG issues.
- Communities:** PBB has a responsibility to consider the social and environmental impact of its operations on the communities where it operates.
- NGOs:** Most of these trade organizations play a role in monitoring and advocating ESG improvements in the banking sector. NGOs often act as watchdogs, holding banks accountable for their ESG performance.

Contextual Information

Company Details	
Name of Organization	Philippine Business Bank Inc., A Savings Bank
Location of Headquarters	350 Rizal Avenue corner 8 th Avenue, Grace Park, Caloocan City
Report Boundary: Legal entities included in this report	-
Primary Activities, Brands, Products, and Services	<p>Deposits and investment services: regular savings account, regular checking account, CA Flexi (checking & passbook savings in one account), ATM account, CA/SA (auto-transfer), Campus Savers, peso time deposit, Hi-5 time deposit, FCDU savings, FCDU time deposit, Hi-Green deposit</p>
	<p>Commercial, industrial, and developmental loans: agri-agra loans, bills purchase, bus and taxi loan, contract to sell financing, discounting line, fleet financing, loan line, omnibus line, specialized lending facilities for SMEs (DBP, IGLF, ISSEP, SSS developmental loans), term loan, trade finance</p>
	<p>Consumer loans: auto, housing, salary</p>
	<p>Trust products and services: employee benefit plans under trust, escrow agency, individual FCDU trust, insurance trust, investment management account (personal or corporate), mortgage trust indenture, unit investment trust funds (UITFs), personal management trust, safekeeping, trustee of pre-need plans</p> <p>Other services: advisory services, SSS and Philhealth payments, bills payment/collection services, group payroll services, local payment orders, mail and telegraphic transfers, night depository box, PBB gold sale, safety deposit box facilities</p>
Highest Ranking Person responsible for this report	<p>Judith C. Songlingco</p> <p>Senior Assistant Vice President – Corporate Affairs Unit</p>

Economic Disclosures

Revenue Generated and Distributed

Disclosure	Amount in Php
Direct profit/revenue generated	7,426,044,971
Direct profit/revenue distributed	2,262,912,496
Operating costs (wages)	
Employee wages and benefits	1,345,186,350
• Payments to suppliers, other operating costs	463,453,423
• Dividends given to stockholders and interest payments to loan providers	402,690,594
• Taxes given to government	1,004,330,612
• Investments to communities (CSR)	-
Revenue/Economic value retained	1,947,471,496

Management Approach Disclosures

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
		An existing Board approved policy, procedures and guidelines is in place for planning, setting strategic goals/ targets and measuring the Bank's performance.
Revenue retained	Investors/Stockholders, clients, suppliers, regulators, society	<p>Metrics and regular performance monitoring are in place to regularly check the bank's status.</p> <p>The Bank also adheres to the regulatory policies that allow the bank to set limits and aims to ensure capital preservation.</p>

Management Approach Disclosures

What are the risks identified?	Which stakeholders are affected?	Management Approach
<p>Operational losses (such as loss of clients and financial losses) arising from reputational risks (issues of fraud/corruption)</p> <p>(Identified as Low Risk)</p>	<p>Clients, Investors, Stockholders, employees</p>	<p>Revenues that the Bank generates dividends and other monetary advantages to our investors, stockholders, employees as well as our clients.</p> <p>The Bank ensures that the economic metrics to measure and monitor the Bank's performance are in place.</p> <p>To preserve our economic value generated, the Bank has existing policies and procedures to avoid exposure to various risks such as but not limited to operational and reputational losses.</p> <p>As part of sound corporate governance, the Bank's Board of Directors is responsible for setting up the risk governance framework and ensuring proper implementation thereof. As such, Board approved policies are in place for mitigation of risks that are identified by the Bank.</p> <p>A system of managing risks is also in place for revenue preservation. All employees are required to adhere to the Bank's Code of Conduct to avoid certain reputational risks as well as to adhere to certain policies that ensures that corruption issues are avoided.</p> <p>Rules from regulators are also adhered that minimize the Bank's exposure to losses.</p> <p>The Bank also has auditors as well as compliance personnel who conduct checking of the adherence of the employees to rules and regulations.</p>
What are the opportunities identified?	Which stakeholders are affected?	Management approach
<p>Development of new products and services that aims to increase the Bank's economic value and increase the profit to be distributed to its investors, employees and to the society</p>	<p>Investor/Stockholders, clients, employees, society</p>	<p>The Bank has an existing Project Management Group that is in charge of digital products and services that aim to capture additional clients and to increase the Bank's profitability.</p> <p>Our organization, particularly the branches, handles the sales and marketing so these products and services are available to its targeted clients.</p> <p>The performance of the branch head is quantitatively measured to ensure that goals are achieved.</p>

Climate related risks and opportunities

Governance	Strategy	Risk Management	Metrics and Targets
Recommended Disclosures			
Describe Board oversight of climate related risks and opportunities	Climate related risks are considered in the bank-wide assessment of risks as documented in the Bank's Risk and Control Self-Assessment. These climate-related risks are also required to be reported thru the Bank's internal reporting system. These risks are regularly monitored and managed accordingly.	The Bank has an existing Board approved policy for assessing, monitoring, and managing the climate related risks identified. Further, the Bank has an existing Business Continuity Plan to address the risk exposures to climate related risks.	Bank's exposures to climate risks are indicated in the Bank's Risk and Control Self-Assessment. Loss Events Reports are also required to be used in assessing the value and impact of climate related risks. The Bank has a business continuity plan (BCP) that addresses potential losses due to climate related risks.

Governance	Strategy	Risk Management	Metrics and Targets
Recommended Disclosures			
Describe the management's role in assessing and managing climate related risks and opportunities	Management is assigned to assess, monitor and implement the controls for climate related risks. Management is required to regularly report exposures to climate related risks.	As the Bank's internal policy on risk management, and business continuity plan, Management should implement the reporting and assessing of the risk exposures of the Bank to climate related risks.	The Bank has a business continuity plan (BCP) that takes into consideration potential climate risk individuals.

Procurement Practices

Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	Quantity
	95%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Procurement practice of the Bank affects its suppliers/vendors	Suppliers, vendors, clients	<p>The Bank has an existing Board approved procurement and vendor accreditation policies that provides guidelines to its employees and suppliers.</p> <p>The guidelines also set the bank's bidding process that opens opportunities to all prospective suppliers/vendors.</p> <p>Regulatory rules from BSP for the Bank's transactions with Vendors and third-party providers.</p> <p>For the bank's organization structure, the Bank has a General Services and Administration Group that handles the execution of procurement process.</p> <p>The Bank also has a Bid Committee in charge of processing the accreditation and procurement process.</p>
What are the risks identified?	Which stakeholders are affected?	Management Approach
No material risk identified	None	Not applicable
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Incorporating good Corporate Social Responsibility and Sustainability practices	Suppliers, Vendors, Clients	<p>Board approved policies and procedures are in place on how to deal with suppliers, vendors. Accreditation policies which are followed by the Bank include checking the propriety of the documents of the suppliers (i.e financial capacity, legal existence/registration documents).</p> <p>The Bank also extends its business to its supplier by offering them the Bank's product and services hereby encouraging sustainability.</p>

Anti-Corruption

Training on Anti-Corruption Policies and Procedures

Disclosure	
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated	100% covered by Orientation under Code of Conduct and AMLA training
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated	100%
Percentage of directors and management that have received anti-corruption training	100% covered by Orientation, AMLA for SOs, and AMLA training
Percentage of employees that have received anti-corruption training	100% covered by Orientation, AMLA training

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Risk exposure to corruption	Stockholders/Investors, Employees, Clients	<p>Board approved policies and procedures against corruption are in place such as but not limited to Code of Conduct, Whistle Blowing Policy, Conflict of Interest Policies, Insider Trading Policy.</p> <p>Compliance review with these policies is conducted by the Bank to protect its stakeholders.</p>
What are the risks identified?	Which stakeholders are affected?	Management Approach
Reputational Risk (Identified as Low Risk)	Stockholders/Investors, Employees, Clients	<p>Board approved policies and procedures against corruption are in place such as but not limited to Code of Conduct, Whistle Blowing Policy, Conflict of Interest Policies, Insider Trading Policy, Social Media Policy.</p> <p>Compliance review with these policies is conducted by the Bank to protect its stakeholders.</p> <p>Internal Audit is conducted regularly.</p> <p>The Bank also has consumer protection policies that aim to address the concerns of its clients, ranging from simple inquiries to complex concerns.</p> <p>Further, the Bank adheres to consumer protection policies that are implemented by its regulator, BSP.</p>

What are the opportunities identified?	Which stakeholders are affected?	Management approach
Good company image attracts clients/customers that increase the Bank's economic value	Investors/Stockholders, Clients, employees	<p>The Bank's employees are required to adhere to the Board approved policies that are in place to avoid corruption.</p> <p>The good company image hence attracts prospective clients, business partners and stakeholders.</p>

Incidents of Corruption

Number of incidents in which directors were removed or disciplined for corruption	0
Number of incidents in which employees were dismissed or disciplined for corruption	2
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0

In 2024, PBB focused on continuing to build upon its strategy and initiatives with respect to Environmental, Social and Governance (ESG) topics. The Bank recognizes the continuing importance of these matters and will continue to align its business strategies with these goals. PBB understands that a thoughtful, coordinated approach to ESG will support a healthier, more sustainable future for its stakeholders including investors, employees, communities the Bank serves, and customers.

PBB expects to build upon its core values as a community financial institution and its core mission of serving the financial needs of the community. The Bank expects its developing ESG strategy will align with the nature and scale of its business in respecting the environment and the evolution of ESG principles in the banking industry.

Environmental Disclosures

Some of PBB's specific efforts and commitments are summarized below.

Migrated loan documentation (particularly CRECOM documents) to digital only process to eliminate the use of paper as part of the Bank's initiative to implement a digital workstream for the Bank's processes.

Commitment to expanding digital documentation processes and energy efficiency throughout the organization.

- Responsible waste management and recycling practices including recycling of electronic equipment.
- Updated the Bank's vendor management program to assess our vendor's alignment with our ESG strategy.

Energy Consumption Within the Organization

Disclosure	Quantity/Unit
Energy consumption (renewable)	None
Energy consumption (LPG)	None
Energy consumption (electricity)	835,962 kwh

Reduction of Energy Consumption

Disclosure	Quantity/Unit
Energy consumption (renewable)	None
Energy consumption (LPG)	None
Energy consumption (electricity)	91,460 kwh

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Branches and Head Office premises	Employees, clients	The Bank is committed to achieve its energy efficiency goals to decrease operational cost and to reduce the environmental impact of its operations.
What are the risks identified?	Which stakeholders are affected?	Management Approach
None	None	Not applicable
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Reduction in energy consumption increases the Bank's economic value	Employees, Client, Stockholders/Investors	The Bank will include in its planning the possibility of energy reduction.

Water Consumption Within the Organization

Disclosure	Quantity/Unit
Water withdrawal	Maynilad and Manila Water
Water consumption	14,999 cubic meters (estimate only)
Water recycled and reused	Amount is not material to the Bank

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management approach
Not material to the Bank	Not material to the Bank
What are the risks identified?	Management Approach
Not material to the Bank	Not material to the Bank
What are the opportunities identified?	Management approach
Not material to the Bank	Not material to the Bank

Materials Used by the Organization

Disclosure	Quantity/Unit
Materials used by weight or volume	
Paper	8,306 reams
Newsprint Long	330 reams
Newsprint short	200 reams
Cartridges/toner	600 bottles
Ballpen	1,380 pcs
Adding Machine Tape	none
Blue Binder (short)	none
Blue Binder (long)	none
Brown envelope (short)	13,973
Brown envelope (long)	16,143
Continuous form (long)	none
Continuous form (short)	none
Epson Ribbon (FX2175)	none
Fastener -	1,010 boxes
Folder	48,853 pcs.
Percentage of recycled input materials used to manufacture the organization's primary products and services	Not material to the Bank.

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the risks identified?	Which stakeholders are affected?	Management Approach
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	Not material to the Bank

Ecosystems and Biodiversity (upland/watershed/coastal or marine) –

NOTE: This section is not material to the Bank.

Disclosure	Quantity/Unit
Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected	Not material to the Bank
Habitats protected or restored	Not material to the Bank
IUCN Red List species and national conservation list species with habitats in areas affected by operation	Not material to the Bank

Management Approach Disclosure

NOTE: This section is not material to the Bank

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the risks identified?	Which stakeholders are affected?	Management Approach
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	Not material to the Bank

Environmental Impact Management

Disclosure	Quantity/Unit
Energy Indirect (Scope 2) Emissions	656 tons CO2e (estimate)
Emissions of ozone depleting substances (ODS)	PBB does not track ODS as this is not material to the Company.

Management Approach Disclosure

Note: This section is not material to the Bank.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.
What are the risks identified?	Which stakeholders are affected?	Management Approach
Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.

Air Pollutants

Note: This section is not material to the Bank

Disclosure	Quantity/Unit
NOx	PBB does not track NOx as this is not material to the Company.
SOx	PBB does not track SOx as this is not material to the Company.
Persistent Organic Pollutants	PBB does not track pollutants as this is not material to the Company.
Volatile organic compounds (VOCs)	PBB does not track VOCs as this is not material to the Company.
Hazardous air pollutants (HAPs)	PBB does not track HAPs as this is not material to the Company.
Particulate matter (PM)	PBB does not track PM as this is not material to the Company.

Management Approach Disclosure

Note: This section is not material to the Bank

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach>
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the risks identified?	Which stakeholders are affected?	Management Approach
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	Not material to the Bank

Solid and Hazardous Waste

Note: Data is not available for the reporting period.

Disclosure	Quantity/Unit
Total solid waste generated	Data not available
Reusable	Data not available
Recyclable	Data not available
Composted	Data not available
Incinerated	Data not available
Residuals/Landfilled	Data not available

Hazardous Waste:

Note: In 2023, PBB had no electronic/hazardous waste collection initiative.

Disclosure	Quantity/Unit
Amount of hazardous waste transported	Data not available
Amount of hazardous waste in storage	Data not available

Management Approach Disclosure

(Non-hazardous and hazardous waste)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
None	None	The Bank complies with relevant local policies for solid and hazardous waste management.
What are the risks identified?	Which stakeholders are affected?	Management approach
None	None	The Bank complies with relevant local policies for solid and hazardous waste management.
What are the opportunities identified?	Which stakeholders are affected?	Management approach
None	None	The Bank complies with relevant local policies for solid and hazardous waste management.

Effluents

Note: This is not material to the Bank

Disclosure	Quantity/Unit
Total volume of water discharges	Not applicable
Percent of wastewater recycled	Not applicable

Management Disclosure Approach

Note: This is not material to the Bank

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach>
Not applicable	Not applicable	Not applicable
What are the risks identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Not applicable	Not applicable	Not applicable

Environmental Compliance

Disclosure	
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0
No. of cases resolved through dispute resolution mechanism	0

Management Approach:

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
None	None	The Bank adheres to the rules and regulations set by the DENR and other relevant regulatory agencies.
What are the risks identified?	Which stakeholders are affected?	Management approach
None	None	The Bank adheres to the rules and regulations set by the DENR and other relevant regulatory agencies.
What are the opportunities identified?	Which stakeholders are affected?	Management approach
None	None	The Bank adheres to the rules and regulations set by the DENR and other relevant regulatory agencies.

Social Disclosures

Employee Management, Employee Hiring and Benefits, Employee Data

Disclosure	Quantity/Unit
Total number of employees	1,856
Female Employees	1,212
Male Employees	644
Attrition rate	14.37%
Monthly salary of the lowest paid employee	14,500

Provide list of benefits:

Benefit	% of employees who availed for the year
SSS	20.63%
PhilHealth	6.08%
Pag-Ibig	11.26%
Parental leaves	7.06%
Vacation Leaves	89.92%
Sick Leaves	84.69%
Medical benefits aside from PhilHealth	53.00%
Housing assistance aside from Pag-Ibig	0.00%
Retirement fund (aside from SSS)	1.00%
Further education support	1.67%
Company stock options	N/A
Telecommunicating	N/A
Flexible working hours	5.66%

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Talent acquisition, development and retention	Employees	<p>The Bank has Board-approved policies and procedures that set the guidelines to be followed for talent acquisition, development and employee retention.</p> <p>The Bank also offers competitive Board-approved compensation and employee benefit packages to ensure employee engagement and retention.</p> <p>An employee is also entitled to benefit packages to assist them during calamities or personal emergencies such as sickness and death.</p>
What are the risks identified?	Which stakeholders are affected?	Management Approach
Employees needing refresher trainings for the emerging requirements/competencies needed for work	Employees	<p>The Bank supports the continuing education and learning of employees by providing internal and external training programs, as well as development programs to train high potential employees for higher positions in the organization.</p>
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Enhancing the skills and potential of the employees increase the economic value of the company	Employees	<p>The Bank provides Board-approved performance-based rewards and recognition to further engage the employees. This includes the distribution of performance-based bonus on top of guaranteed bonuses, and yearly merit increases.</p> <p>The Bank provides for opportunities for employees to move up the corporate ladder through regular promotions of deserving employees.</p> <p>The Bank believes that engaged employees lead to higher employee morale and productivity; employee pride and loyalty, excellent customer service, thereby attracting more clients and ensuring client retention.</p>

Employee Training and Development

Disclosure	
Total training hours provided to employees in 2024	43,963
Female employees	29,436
Male employees	14,527
Average training hours provided to employees	21.51
Female employees	21.97
Male employees	20.63

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Learning and Development programs of the Bank	Employees	The Bank is offering internal and external trainings and development programs for employee development and growth.
What are the risks identified?	Which stakeholders are affected?	Management Approach
Lack of training may cause poor service quality to clients and poor performance of job functions thereby decreasing the company's economic value	Employees, clients	<p>The Bank has existing training programs for its employees especially for customer service.</p> <p>The Performance Appraisal of an employee includes trainings attended or facilitated, and customer service ratings.</p>
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Improved performance and service quality to clients	Employees, Clients	<p>Board approved performance evaluation is established to measure and monitor the performance of its employees.</p> <p>Customer helplines, surveys and feedbacks are also in place to monitor the clients' concerns. The Consumer Protection of the bank provides for many venues for clients to give feedback or to lodge concerns and complaints.</p>

Labor Management Relations

Disclosure

% of employees covered by collective bargaining agreements	0%, the Bank has no union
Number of consultations conducted with employees concerning employee-related policies	0% as related to union issues

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material to the Bank	Employees	The Bank always maintains an open communication policy with employees. There are existing venues to bring forth employee concerns and issues such as with supervisors, with HR or with the Committee on Employee Discipline. The President conducts on-line consultations (Kapihan) with selected employees, and the participants are given the opportunity to bring concerns to the President's attention.
What are the risks identified?	Which stakeholders are affected?	Management approach
Not material to the Bank	Employees	The Bank has existing Health, Safety and Welfare Program for its employees.
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Higher productivity and employee well-being and morale because of health and safety program for employees	Employees, clients	The Bank always maintains an open communication policy with employees. There are existing venues to bring forth employee concerns and issues such as with supervisors, with HR or with the Committee on Employee Discipline. The President conducts on-line consultations (Kapihan) with selected employees, and the participants are given the opportunity to bring concerns to the President's attention.

Diversity & Equal Opportunity

Disclosure	
Percent of female workers in the workforce in 2024	65.82%
Percent of male workers in the workforce 2024	34.17%
Ratio of male to female employees 2024	1:02
Number of employees from indigenous communities and/or vulnerable sectors 2024	51

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Talent acquisition, management, development and retention	Employees	The Bank does not discriminate its employees on the basis of gender, age, sex, indigenous communities, and vulnerable sectors. The Bank has existing policies that require its employees to adhere to labor laws and regulations.
What are the risks identified?	Which stakeholders are affected?	Management approach
Reputational Risk that may arise from labor issues due to discrimination	Employees, Stockholders/ Investors	The Bank does not discriminate its employees of the basis of gender, age, sex, indigenous communities, and vulnerable sectors. The Bank has existing policies that require its employees to adhere to labor laws and regulations.
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Acquisition of talented and motivated employees which can increase the economic value of the company	Employees	The Bank uses various talent acquisition channels wherein every applicant has equal opportunity to apply and be taken in, depending on the requirements of the position, and the value that the candidate brings to the bank.

Workplace Conditions Labor Standards, and Human Rights

Safe Man-Hours in 2024	4,079,532
No. of work-related injuries in 2024	3
No of work-related fatalities in 2024	0
No. of work-related ill health in 2024	9
Number of safety drills in 2024	158n (Fire, Earthquake and Bomb Threat drill)

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Across all units of the Bank	Employees, Clients	<p>The Bank has an existing Board-approved Health, Safety and Welfare Program for its employees.</p> <p>Safety and Security Drills are also conducted to ensure that employees as well as its clients will be protected in case of peril.</p> <p>The Bank also adheres to the work and safety guidelines that are implemented by the government authorities.</p>
What are the risks identified?	Which stakeholders are affected?	Management Approach
Safety risks	Employees	<p>The Bank has an existing Board approved Health, Safety and Welfare Program for its employees.</p> <p>Safety and Security Drills are also conducted to ensure that employees as well as its clients will be protected in case of peril.</p> <p>The Bank also adheres to the work and safety guidelines that are implemented by the government authorities.</p>
What are the opportunities identified?	Which stakeholders are affected?	Management Approach
Improve the safety and security of the employees	Employees, Clients	<p>The Bank has an existing Corporate Security Group which is in charge of conducting the safety drills to be conducted within the Bank.</p> <p>The Security Group also monitors the conduct of safety and security drills.</p> <p>The Bank also adheres to the work and safety guidelines by the government authorities.</p>

Labor Laws and Human Rights

Topic	Quantity	Unit
No. of legal actions or employee grievances involving forced or child labor	0	0

Are there policies that explicitly disallows violations to labor laws and human rights (e.g. harassment, bullying) in the workplace

Topic	Y	N
Forced labor	✓	
Child labor	✓	
Human Rights	✓	
Environmental performance	✓	
Bribery and corruption	✓	

Management Approach

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Across all units	Employees	The Bank adheres to the rules and regulations implemented by DOLE and other regulatory agencies.
What are the risks identified?	Which stakeholders are affected?	Management approach
None	None	The Bank adheres to the rules and regulations implemented by DOLE and other regulatory agencies.
What are the opportunities identified?	Which stakeholders are affected?	Management approach
None	None	The Bank adheres to the rules and regulations implemented by DOLE and other regulatory agencies.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, provide a link to the policy or attach the policy.
(attached: General Services Center Manual for Accreditation of Suppliers)

Topic	Y/N	If yes, cite reference in the supplier policy
Environmental performance	General Requirement for the Satisfactory Rating on Supplier's Stakeholders	Page 1 – SELECTION OF SUPPLIERS/ CONTRACTORS PORTION
Forced Labor		
Child Labor		
Human Rights		
Bribery and corruption		

Relationship with Community

Significant Impacts on Local Communities

List/Identify operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)	Does the particular operation have impacts on indigenous peoples? (Y/N)	Collective or individual rights that have been identified as particular concerns for the community	Mitigating measures (if negative impact)/ Enhancement measures (if positive)
Blood letting	PBB Z-Square building	N/A	N/A	Collective	N/A

Customer Management

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
All Business Generation Units (Branches, Lending, Trust, Treasury)	Clients	<p>The Bank ensures that the Client's welfare is of utmost importance. As such, the Bank ensures that all employees are equipped with training to provide good customer service quality.</p> <p>Service Quality is also included in the performance assessment of the Bank's employees.</p> <p>Further, postings of information needed by the clients are also provided to help them with their concerns.</p> <p>Customer helplines, feedback and complaints are also in place to ensure that the needs and concerns of clients are addressed.</p> <p>The Bank adheres to the regulatory requirements for handling and management of customer concerns.</p>
What are the risks identified?	Which stakeholders are affected?	
None	None	
What are the opportunities identified?	Which stakeholders are affected?	
None	None	

Health and Safety

Topic	
Number of substantiated complaints on product or service health & safety	3
Number of complaints addressed	3

Substantiated complaints include customer complaints that went through the organization's formal communication channels and grievance mechanisms, as well as complaints that were lodged with or acted upon by government agencies.

Management Approach

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	
What are the risks identified?	Which stakeholders are affected?	The Bank has an existing Board approved Health, Safety and Welfare Program for its employees.
Not material to the Bank	Not material to the Bank	Likewise, the Bank has a Board approved Consumer Protection Framework for protecting its clients.
What are the opportunities identified?	Which stakeholders are affected?	The Bank commits to resolve the concerns filed to the Bank within the required turnaround time per its internal policy and per BSP requirement.
To improve the standard of service provided to the clients.	Employees, Clients	Further, the Bank implements a monitoring system to address the concerns of the clients and its employees.

Marketing and Labelling

Topic	
Number of substantiated complaints on marketing and labelling?	0
Number of complaints addressed	0

Substantiated complaints include customer complaints that went through the organization's formal communication channels and grievance mechanisms, as well as complaints that were lodged with or acted upon by government agencies.

Management Approach

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
None reported for the reference period	None reported for the reference period	None reported for the reference period
What are the risks identified?	Which stakeholders are affected?	Management Approach
None reported for the reference period	None reported for the reference period	None reported for the reference period
What are the opportunities identified?	Which stakeholders are affected?	Management approach
None identified for the reference period	None identified for the reference period	None identified for the reference period

Customer Privacy

Topic	Number
Number of substantiated complaints on customer privacy	0
Number of complaints addressed	0
No. of customers, users, and account holders whose information is used for secondary purposes	0

Management Approach

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
None reported for the reference period	None reported for the reference period	<p>The Bank has existing Board approved Data Privacy Protection Framework which implements the protection guidelines for the clients and employees.</p> <p>The Bank also has an existing Data Privacy Unit that monitors the Bank's compliance with Data Privacy Regulations.</p> <p>Trainings were also provided to employees for Data Privacy.</p>
What are the risks identified?	Which stakeholders are affected?	
None reported for the reference period	None reported for the reference period	
What are the opportunities identified?	Which stakeholders are affected?	
Company which protects data privacy of its employees and clients attracts prospective clients as well as retain existing clients	Employees, clients	

Data Security

Topic	Number
Number of data breaches, including leaks, thefts and losses of data	0

Management Approach

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
None reported for the reference period	None reported for the reference period	<p>The Bank has existing Board approved Data Privacy Protection Framework which implements the protection guidelines for the clients and employees.</p> <p>The Bank also has an existing Data Privacy Unit that monitors the Bank's compliance with Data Privacy Regulations.</p> <p>Trainings were also provided to employees for Data Privacy.</p>
What are the risks identified?	Which stakeholders are affected?	
None reported for the reference period	None reported for the reference period	
What are the opportunities identified?	Which stakeholders are affected?	
Company which protects data privacy of its employees and clients attracts prospective clients as well as retain existing clients	Clients, employees	

2024 Sustainable Highlights



As part of ongoing efforts to reduce our carbon footprint and enhance resource conservation, all PBB branches have utilized LED lighting and air-conditioning inverter systems since 2012. This underscores our commitment to advancing sustainability across all banking operations in terms of energy efficiency.

The installation of energy-efficient LED lights in 100% of our branch locations nationwide has not only reduced the Bank's electricity consumption, but also contributes significantly to the reduction of carbon emissions. Our adoption of inverter aircon units has improved energy performance by adjusting the cooling capacity based on actual demand – resulting in lower power use and operational costs.

In the near-term, PBB's Corporate Headquarters will be located in the Makati Central Business District, specifically at the Alveo Financial Tower along Ayala Avenue. The building has a Leadership in Energy and Environmental Design (LEED) certification from the US Green Building Council. LEED is a globally recognized rating system that verifies a building's sustainability performance.

This reflects the Bank's commitment to sustainable building designs that feature energy efficiency, water conservation, and indoor environmental quality.

By integrating these technologies and occupying a LEED-certified facility, PBB is actively supporting the Philippines' transition to a low-carbon economy. Such initiatives are reflective of our adherence to ESG principles and our commitment to achieve a lower environmental impact while demonstrating our role in fostering sustainable business practices in the banking sector.

These measures are aligned with international standards such as the Global Reporting Initiative (GRI), ensuring transparency and accountability in our sustainability efforts.



Commercial Lending for Sustainable Growth

In line with the Philippine banking industry's thrust toward sustainability, PBB's commercial lending activities have focused on the following sectors: micro, small, and medium enterprises (MSME); renewable energy (RE); and infrastructure.

Lending to MSMEs is aligned with the Bank's ESG objectives to mitigate climate change, promote social inclusion, support economic development in underserved areas, and adhere to responsible governance practices.

Funding RE projects such as solar, wind, hydro, and bioenergy directly contribute to environmental sustainability by reducing greenhouse gas emissions, and energy transition from fossil fuels to cleaner energy sources.

Loans to infrastructure projects qualify as sustainable finance especially for green infra systems in public transport, waste management, affordable housing, and flood control.

The Commercial & Corporate Banking Group of PBB granted loans to 490 borrowers amounting to PHP 65.8 million in total availments in 2024. Two-thirds of these commercial borrowers belong to the MSME sector, with the remaining one-third comprised of large corporations in the RE and infrastructure sectors. Of the 415 MSME borrowers, 81% come from Luzon, followed by 13% from Mindanao and 6% from the Visayas.

Infrastructure



68

2024 No. of Borrowers

17,806,556,880

Total Availments in 2024

MSME



415

2024 No. of Borrowers

14,222,702,680

Total Availments in 2024

Renewables



7

2024 No. of Borrowers

33,774,537,518

Total Availments in 2024



Green Steel Plant in Batangas

PBB signed a loan agreement on April 22, 2024 with SteelAsia Lemery Works Inc. for a project financing transaction of PHP 11.45 billion. The project will be co-financed by the Government Service Insurance System (GSIS) and the Development Bank of the Philippines (DBP), among other institutions.

To commemorate the loan agreement signing, a ceremonial event was held at the GSIS headquarters in Pasay City. The proceeds will fund the construction of an environmentally friendly steel plant in Lemery, Batangas. With an initial investment cost of PHP 19.3 billion, SteelAsia's 500,000 MT Steel Section Mill Project becomes the country's first steel production line project – with its 600 personnel coming from the local municipality and nearby areas.

According to SteelAsia Chairman and CEO Benjamin O. Yao, “local steel manufacturing is deemed insufficient to address the growing demand for the product, especially with the increasing consumption of sections from both infrastructure projects and private developments.” He committed to support the goals of the nation in developing more infrastructure projects.

“This loan will support the construction of a new, environment-friendly steel plant, thereby increasing the steelmaking capacity in the Philippines and will reduce greenhouse gas emissions in the steel industry,” PBB Vice Chairman, President and CEO Rolando R. Avante said.

“The said project includes the greenfield design, construction, and commissioning of the Philippines’ first state-of-the-art hot-rolling production line with an upstream integrated recycling-based steelmaking. In doing so, it will also contribute to the achievement of sustainable development goals,” he explained.”

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



STEEL  ASIA



Mobile Blood Donation Program



Forty-seven bags of blood were generated by the PBB Mobile Blood Donation Program during the bloodletting activity on February 2 and 19, 2024 at PBB's Annex Building and Z-Square Mall, respectively, in Caloocan City. The heroic activity was in partnership with the United Doctors Medical Center (UDMC) and the Philippine Blood Center (PBC) of the Department of Health (DOH).

"Save a life, give blood" is a powerful slogan that encapsulates why donating blood is an admirable and often heroic gesture – as countless lives are saved using the pints of donated fluid. This life-saving act plays a critical role in healthcare, providing essential support for patients undergoing surgical procedures, managing chronic illnesses, or recovering from traumatic injuries.

Blood donors are heroes because their commitment directly impacts lives. As the saying goes: "Be there for someone else. Give blood. Share life."



2024 Sustainable Highlights

Rio Verde Water Consortium, Inc.

Cagayan de Oro City

Through the Cagayan de Oro Bulk Water Inc. (COBI) and the Cagayan de Oro Water District (COWD), Rio Verde has been providing access to safe drinking water to some 160,000 households in Cagayan de Oro City. We ensure that sustainability and future-proofing are basic and integral elements of our design that include energy efficiency improvements and disaster risk reduction countermeasures which prioritize climate change resilience.

PBB has been our dependable partner that provided financial support for the implementation of our PHP 400 million Energy Savings Project. This allowed us to reduce our annual energy consumption from 19.0 million kwh to less than 1.0 million kwh

– equivalent to an annual reduction of 5,600 metric tons of CO₂ emissions that is comparable to replacing 1,200 diesel-fueled vehicles with 1,200 electric vehicles in Cagayan de Oro City.

For the medium term, Rio Verde aims to be an active partner of the Philippine Climate Change Action Program (CCAP), particularly CCAP Subprogram 2, in support of the country's implementation of its nationally determined contribution. The latter is the Filipino nation's commitment to help advance global efforts in stabilizing the world's climate under the Paris Agreement by accelerating reforms to transform key sectors where it can actively contribute – such as natural resources and the environment; low carbon pathways; and energy toward climate resilience.



Taft Solar Project

Eastern Samar



Our company is focused on building our purely renewable energy projects to help support the country's energy growing demand without adding to the pressing problem of carbon emissions worldwide. Additionally, maintaining our solar power project contributes to economic growth within the region through direct employment and electrification of neighboring localities which consequently spurs economic activity and trade.

PBB was very accommodating in extending much-needed capital to complete our project. PBB's insurance desk also provided support needed to secure our project against perils beyond our control.

Intrinsically, the maintenance and operations of our solar power plant already contributes positively to the battle against climate change as it helps reduce reliance on fossil fuels for energy needs. In the medium term, we commit to proper maintenance of our facilities to support the preservation of surrounding forest areas.



2024 Sustainable Highlights

Angena Trading

Albay and Camarines Sur

Naga City in Camarines Sur was among the heavily-damaged areas hit by floods due to the heavy rains brought by Tropical Storm Kristine. PBB assured us about the importance of getting insurance for flood damage and recovery, while advising us to consider the possible relocation of our stores and warehouses to avoid flood risk.



Libertad Consumers Corporation

Camarines Sur

We have several store branches in CamSur and most of them were affected in October 2024 by the severe tropical storm (international name: Trami; local name: Kristine). We can help reduce climate change by managing energy consumption, minimizing waste, and implementing sustainable practices.

Albay Computer & Electronics Supplies

Legazpi City

In the area where our store is located, the volume of intense and torrential rainfall caused by Typhoon Kristine led to increased flooding in our vicinity. Fortunately, we were advised by PBB that there was available insurance for fire/ flood damage to help us recover after the calamity.





Goldrich Poultry Farm

Pagbilao, Quezon

The tunnel vent building in our poultry farm was partially damaged by Typhoon Aghon (international name: Ewiniar) in May 2024. In its aftermath, we got an assuring advice from PBB regarding how important it is to have calamity insurance in this era of climate change.

TLC Merchandise Brokerage, Inc.

Camarines Sur

Our business is in retail selling at various department stores. Majority of these establishments in Naga City and CamSur experienced the floods rising to the second floor for the first time in recent memory. PBB made us realize that insurance is essential for properties and stocks to ensure financial protection against losses and damages as well as the relocation of warehouses and stores if needed.



GRI Content Index

Statement of Use: PBB has reported the information cited in this GRI Content Index for the period of 1 January 2024 to 31 December 2024 with reference to the GRI Standards.

GRI 1 Used: GRI Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-1 Organizational details	Philippine Business Bank (A Savings Bank)
	2-2 Entities included in the organization's sustainability reporting	PBB and AMY Foundation
	2-3 Reporting period, frequency and contact point	1 Jan 2024 to 31 Dec 2024, annual, PBB Corplan
	2-4 Restatements of information	N/A
	2-5 External assurance	SEC17A: Report of Independent Auditors
	2-6 Activities, value chain and other business relationships	SEC17A: Related Party Transaction
	2-7 Employees	SEC17A: Employees
	2-8 Workers who are not employees	N/A
	2-9 Governance structure and composition	SEC 17A: Corporate Governance Report
	2-10 Nomination and selection of the highest governance body	SEC 17A: Corporate Governance Report
	2-11 Chair of the highest governance body	SEC 17A: Corporate Governance Report
	2-12 Role of the highest governance body in overseeing the management of impacts	SEC 17A: Corporate Governance Report
	2-13 Delegation of responsibility for managing impacts	SEC 17A: Corporate Governance Report
	2-14 Role of the highest governance body in sustainability reporting	SEC 17A: Corporate Governance Report
	2-15 Conflicts of interest	Sustainability report: Board approved policies and procedures against corruption are in place such as but not limited to Code of Conduct, Whistle Blowing Policy, Conflict of Interest Policies, Insider Trading Policy. Compliance review with these policies is conducted by the Bank to protect its stakeholders.
	2-16 Communication of critical concerns	Available in the Bank's Communication Manual
	2-17 Collective knowledge of the highest governance body	SEC 17A: Corporate Governance Report
	2-18 Evaluation of the performance of the highest governance body	SEC 17A: Corporate Governance Report
	2-19 Remuneration policies	Available in the Bank' Fringe Benefit Program
	2-20 Process to determine remuneration	Available in the Bank' Fringe Benefit Program
	2-21 Annual total compensation ratio	SEC 17A: Compensation and benefits
	2-22 Statement on sustainable development strategy	Sustainability Report

GRI STANDARD	DISCLOSURE	LOCATION
	2-23 Policy commitments	N/A
	2-24 Embedding policy commitments	N/A
	2-25 Processes to remediate negative impacts	N/A
	2-26 Mechanisms for seeking advice and raising concerns	Available in the Bank's Whistle-Blowing Program and Complaint Policy
	2-27 Compliance with laws and regulations	SEC 17A: Corporate Governance Report
	2-28 Membership associations	N/A
	2-29 Approach to stakeholder engagement	N/A
	2-30 Collective bargaining agreements	None
GRI 3: Material Topics 2021	3-1 Process to determine material topics	SEC 17A: Material accounting policy information
	3-2 List of material topics	SEC 17A: Material accounting policy information
	3-3 Management of material topics	SEC 17A: Material accounting policy information
GRI 101: Biodiversity 2024	101-1 Policies to halt and reverse biodiversity loss	N/A
	101-2 Management of biodiversity impacts	N/A
	101-3 Access and benefit-sharing	N/A
	101-4 Identification of biodiversity impacts	N/A
	101-5 Locations with biodiversity impacts	N/A
	101-6 Direct drivers of biodiversity loss	N/A
	101-7 Changes to the state of biodiversity	N/A
	101-8 Ecosystem services	N/A
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A
	304-2 Significant impacts of activities, products and services on biodiversity	N/A
	304-3 Habitats protected or restored	N/A
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	N/A
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Sustainability report: Revenue Generated and Distributed
	201-2 Financial implications and other risks and opportunities due to climate change	Sustainability Report
	201-3 Defined benefit plan obligations and other retirement plans	SEC 17A: Employee benefit
	201-4 Financial assistance received from government	N/A

GRI Content Index

GRI STANDARD	DISCLOSURE	LOCATION
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	N/A
	202-2 Proportion of senior management hired from the local community	100%
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	N/A
	203-2 Significant indirect economic impacts	Sustainability Report: Environmental Impact Management
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	100%
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	<p>Sustainability report: Revenues that the Bank generates dividends and other monetary advantages to our investors, stockholders, employees as well as our clients.</p> <p>The Bank ensures that the economic metrics to measure and monitor the Bank's performance are in place.</p> <p>To preserve our economic value generated, the Bank has existing policies and procedures to avoid exposure to various risks such as but not limited to operational and reputational losses.</p> <p>As part of sound corporate governance, the Bank's Board of Directors is responsible for setting up the risk governance framework and ensuring proper implementation thereof. As such, Board approved policies are in place for mitigation of risks that are identified by the Bank.</p> <p>A system of managing risks is also in place for revenue preservation. All employees are required to adhere to the Bank's Code of Conduct to avoid certain reputational risks as well as to adhere to certain policies that ensures that corruption issues are avoided.</p> <p>Rules from regulators are also adhered that minimize the Bank's exposure to losses.</p> <p>The Bank also has auditors as well as compliance personnel who conduct checking of the adherence of the employees to rules and regulations.</p>
	205-2 Communication and training about anti-corruption policies and procedures	Sustainability report: Training on Anti-Corruption Policies and Procedures
	205-3 Confirmed incidents of corruption and actions taken	Sustainability report: Training on Anti-Corruption Policies and Procedures

GRI STANDARD	DISCLOSURE	LOCATION
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	N/A
GRI 207: Tax 2019	207-1 Approach to tax	17A: Notes to financial statements (Taxes)
	207-2 Tax governance, control, and risk management	17A: Notes to financial statements (Taxes)
	207-3 Stakeholder engagement and management of concerns related to tax	17A: Notes to financial statements (Taxes)
	207-4 Country-by-country reporting	N/A
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Sustainability Report: Environmental disclosures
	301-2 Recycled input materials used	Sustainability Report: Environmental disclosures
	301-3 Reclaimed products and their packaging materials	n/a
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Sustainability Report: Environmental disclosures
	302-2 Energy consumption outside of the organization	n/a
	302-3 Energy intensity	Sustainability Report: Environmental disclosures
	302-4 Reduction of energy consumption	Sustainability Report: Environmental disclosures
	302-5 Reductions in energy requirements of products and services	n/a
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	n/a
	303-2 Management of water discharge-related impacts	n/a
	303-3 Water withdrawal	Sustainability Report: Environmental disclosures
	303-4 Water discharge	Sustainability Report: Environmental disclosures
	303-5 Water consumption	Sustainability Report: Environmental disclosures

GRI Content Index

GRI STANDARD	DISCLOSURE	LOCATION
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	n/a
	305-2 Energy indirect (Scope 2) GHG emissions	Sustainability Report: Environmental disclosures
	305-3 Other indirect (Scope 3) GHG emissions	n/a
	305-4 GHG emissions intensity	n/a
	305-5 Reduction of GHG emissions	n/a
	305-6 Emissions of ozone-depleting substances (ODS)	Sustainability Report: Environmental disclosures
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Sustainability Report: Environmental disclosures
GRI 306: Effluents and Waste 2016	306-3 Significant spills	n/a
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Sustainability Report: Environmental disclosures
	306-2 Management of significant waste-related impacts	Sustainability Report: Environmental disclosures
	306-3 Waste generated	Sustainability Report: Environmental disclosures
	306-4 Waste diverted from disposal	Sustainability Report: Environmental disclosures
	306-5 Waste directed to disposal	Sustainability Report: Environmental disclosures
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	n/a
	308-2 Negative environmental impacts in the supply chain and actions taken	n/a
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Sustainability Report: Social Disclosures
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Report: Social Disclosures
	401-3 Parental leave	Sustainability Report: Social Disclosures
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	n/a

GRI STANDARD	DISCLOSURE	LOCATION
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	n/a
	403-2 Hazard identification, risk assessment, and incident investigation	Available in the Bank's Incident Reporting Guidelines
	403-3 Occupational health services	n/a
	403-4 Worker participation, consultation, and communication on occupational health and safety	n/a
	403-5 Worker training on occupational health and safety	n/a
	403-6 Promotion of worker health	Available in the Bank's Policy on Annual Physical Exam and Executive Check up Policy on Drug-Free Work Place Policy on Mental Health
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	n/a
	403-8 Workers covered by an occupational health and safety management system	n/a
	403-9 Work-related injuries	Sustainability Report: Social Disclosures
	403-10 Work-related ill health	Sustainability Report: Social Disclosures
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Sustainability Report: Social Disclosures
	404-2 Programs for upgrading employee skills and transition assistance programs	Sustainability Report: Social Disclosures
	404-3 Percentage of employees receiving regular performance and career development reviews	n/a
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Sustainability Report: Social Disclosures
	405-2 Ratio of basic salary and remuneration of women to men	n/a
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	n/a
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Sustainability Report: Social Disclosures
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Sustainability Report: Social Disclosures

GRI Content Index

GRI STANDARD	DISCLOSURE	LOCATION
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Sustainability Report: Social Disclosures
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	n/a
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	n/a
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Sustainability Report: Social Disclosures
	413-2 Operations with significant actual and potential negative impacts on local communities	Sustainability Report: Social Disclosures
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	n/a
	414-2 Negative social impacts in the supply chain and actions taken	n/a
GRI 415: Public Policy 2016	415-1 Political contributions	n/a
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Sustainability Report: Social Disclosures
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Sustainability Report: Social Disclosures
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Sustainability Report: Social Disclosures
	417-2 Incidents of non-compliance concerning product and service information and labeling	Sustainability Report: Social Disclosures
	417-3 Incidents of non-compliance concerning marketing communications	Sustainability Report: Social Disclosures
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability Report: Social Disclosures