CONFIDENTIAL

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The offering circular is intended to be available only to Philippine and non-Philippine citizens residing in the Philippines or corporations or judicial entities organized and existing under Philippine law and is not intended for distribution in other jurisdictions. The information contained the offering circular may not be published or distributed outside the Philippines.

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BANK OF COMMERCE
(a banking corporation organized and existing under Philippine laws)

₱80,000,000,000.00
Peso Bond Programme

Bank of Commerce ("**BankCom**", the "**Bank**", the "**Issuer**" or, to the extent it performs the functions of a selling agent in connection with an offering and issuance of the Bonds, a "**Selling Agent**") established a Bond Programme ("**Programme**") with an aggregate principal amount of up to Twenty Billion Pesos (₱20,000,000,000.00) or such other increased amount as may be authorized (the "**Programme Limit**"), subject to the terms and conditions of the Programme Agreement dated 24 June 2022 among BankCom and ING and PCCI Capital, as supplemented by the Accession Agreement dated 5 December 2024 among BankCom and the Joint Lead Arrangers and Joint Bookrunners (the "**Programme Agreement**") (including the Terms and Conditions of the Bonds annexed to the Programme Agreement), the Registry and Paying Agency Agreement dated 24 June 2022 between BankCom and Philippine Depository and Trust Corporation ("**PDTC**" or the "**Registrar**" or "**Paying Agent**"), the Trust Agreement dated 24 June 2022 between BankCom and Rizal Commercial Banking Corporation - Trust and Investments Group (the "**Original Trustee**"), as supplemented by the Accession Agreement dated 29 April 2024 among BankCom, the Original Trustee, and RCBC Trust Corporation (the "**Trustee**"), the Bond Certificate issued for each tranche of the Bonds (each such tranche, a "**Tranche**").

In accordance with the Programme Agreement, the Issuer has increased the Programme Limit from Twenty Billion Pesos (₱20,000,000,000.00) to Fifty Billion Pesos (₱50,000,000,000.00) as approved by the Bangko Sentral ng Pilipinas ("**BSP**") on 23 January 2025, and subsequently, from Fifty Billion Pesos (₱50,000,000,000.00) to Eighty Billion Pesos (₱80,000,000,000.00) as approved by the BSP on 22 April 2026. All bonds issued or to be issued by BankCom under the Programme (the "**Bonds**") have complied (or, as applicable, and will comply) in accordance with Section X236 of the Manual of Regulations for Banks, as amended by Circular Nos. 1010 and 1062 issued by the BSP, the General Banking Law of 2000 (Republic Act No.8791), and other applicable laws and regulations.

THE SECURITIES BEING OFFERED OR SOLD UNDER THIS OFFERING CIRCULAR ARE EXEMPT FROM REGISTRATION UNDER SECTION 9.1(e) OF THE SECURITIES REGULATION CODE (REPUBLIC ACT NO. 8799) AND CONSEQUENTLY, HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC").

Upon their issuance, the Bonds shall be listed as securities that may be traded on the Philippine Dealing & Exchange Corp. ("**PDEx**") in accordance with the procedures and requirements set out in this Offering Circular and the relevant PDEx rules, operating framework, and trading conventions. The Bonds shall be issued in scripless form. Legal title to the Bonds shall be shown in the Registry Book to be maintained by the designated registrar of the Bonds. A Bond Certificate representing the Bonds shall be issued to and registered in the name of the Trustee, on behalf of the bondholders.

The Bonds shall constitute the direct, unconditional, and unsecured obligations of the Bank and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured obligations of the Bank, other than obligations preferred by law. The Bonds shall effectively be subordinated in right of payment to, among others, all of the Bank's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14)(a) of the Civil Code of the Philippines without a waiver of preference or priority.

The specific terms of the Bonds for each Tranche will be determined by the Bank considering prevailing market conditions and shall be provided in a supplement to be circulated at the time of the offer of the relevant tranche (each a "**Pricing Supplement**").

The Bank has an Issuer Credit Rating of PRS Aa plus (corp.), with a Stable Outlook, dated 10 August 2026 by Philippine Rating Services Corporation ("**PhilRatings**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

See "Investment Considerations" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Joint Lead Arrangers and Joint Bookrunners

ING PCCI Capital SECURITY BANK CAPITAL A Subsidiary of Security Bank standard chartered

Selling Agents

Bank of Commerce An affiliate of San Miguel Corporation

ING PCCI Capital SECURITY BANK CAPITAL A Subsidiary of Security Bank standard chartered

For inquiries or complaints, you may contact the Bank at +632 8632 2265 or at customerservice@bankcom.com.ph or the BSP Financial Consumer Protection Department at telephone no. +632 8708-7087.

The date of this Offering Circular is 11 September 2026

The Bank accepts responsibility for the information contained in this Offering Circular. The Bank, having made all reasonable inquiries, confirms that: (a) this Offering Circular contains or incorporates all information which is material in the context of the Programme and the Bonds, (b) the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, (c) the opinions and intentions expressed in this Offering Circular are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, (d) there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading, and (e) all reasonable enquiries have been made by the Bank to verify the accuracy of the information in this Offering Circular. The Bank confirms that it accepts full and sole responsibility for the accuracy of the information contained in this Offering Circular, notwithstanding any disclaimers made in this Offering Circular by or on behalf of the Selling Agents (which term may include the Bank, to the extent the Bank performs the functions of a selling agent in connection with the offering and issuance of the Bonds). Unless otherwise indicated, all information in this Offering Circular is as of the date of this Offering Circular.

None of the Joint Lead Arrangers and Joint Bookrunners or Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) has verified the information contained or incorporated by reference in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of the Joint Lead Arrangers and Bookrunners or any of the Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, and each of their respective directors, officers, employees, representatives, agents and advisers) (other than the Bank) as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided in connection with the Programme or the Bonds. By receiving the Offering Circular, investors acknowledge that they have not relied on any of the Joint Lead Arrangers and Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, and each of their respective directors, officers, employees, representatives, agents and advisers) in connection with investigating the accuracy of such information or their investment decision. Nothing contained in the Offering Circular is, or shall be relied upon, as a promise or representation, from any of the Joint Lead Arrangers and Bookrunners or any of the Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers), whether as to the past or the future.

To the fullest extent permitted by law, none of the Joint Lead Arrangers and Joint Bookrunners or Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, and each of their respective directors, officers, employees, representatives, agents and advisers) (other than the Bank) accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Joint Lead Arrangers and Joint Bookrunners or the Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, and each of their respective directors, officers, employees, representatives, agents and advisers) or on their respective behalf in connection with the Bank, the Programme, or the issue and offering of the Bonds. Accordingly, each of the Joint Lead Arrangers and Joint Bookrunners and the Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, and each of their respective directors, officers, employees, representatives, agents and advisers) (except the Bank) disclaims any and all liability whether arising in tort, contract, or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. No person has been authorized to give any information or to make any representation concerning the Bank or the Bonds other than as contained in this Offering Circular and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Bank or the Joint Lead Arrangers and Joint Bookrunners (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, and each of their respective directors, officers, employees, representatives, agents and advisers).

Neither this Offering Circular, nor any other information supplied in connection with the Programme or the

issue of any Bonds, constitutes an offer or invitation by or on behalf of the Bank or either of the Joint Lead Arrangers and Bookrunners or the Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) to any person to subscribe for or to purchase any Bond.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Bonds shall under any circumstances imply that the information contained or referred to in this Offering Circular is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Arrangers and Bookrunners and the Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, and each of their respective directors, officers, employees, representatives, agents and advisers) do not undertake to review the financial condition or affairs of the Bank during the term of the Programme or to advise any investor in the Bonds of any information coming to their attention after the date of this Offering Circular. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Bank since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or create any implication that the information contained herein is correct as at any date subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Bonds.

Neither the Bank, nor the Joint Lead Arrangers, nor the Joint Bookrunners, nor the Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, and each of their respective directors, officers, employees, representatives, agents and advisers) (other than the Bank) nor any of their respective affiliates or representatives is making any representation to any purchaser of Bonds regarding the legality of an investment by such purchaser under applicable laws. In addition, the contents of this Offering Circular are not to be considered as legal, business, or tax advice. You should be aware that you may be required to bear the financial risks of an investment in the Bonds for an indefinite period. You should consult with your own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Bonds.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Bonds (i) is intended to provide the basis of any credit or other evaluation, or (ii) should be considered as a recommendation by the Joint Lead Arrangers and Joint Bookrunners or the Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, and each of their respective directors, officers, employees, representatives, agents and advisers) (other than the Bank) that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Bonds should purchase any of the Bonds. In making an investment decision, investors must rely on their own examination of the Bank and the terms of the Bonds, including the merits and material risks involved. Investors are not entitled to rely on the Joint Lead Arrangers, Joint Bookrunners, or on the Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, and each of their respective directors, officers, employees, representatives, agents and advisers) (other than the Bank) or on any person affiliated with the Joint Lead Arrangers, Joint Bookrunners, or the Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, and each of their respective directors, officers, employees, representatives, agents and advisers) (other than the Bank) in connection with his/her/its investigation of the accuracy of any information in this Offering Circular or his/her/its investment decision to purchase the Bonds.

Each of the Joint Lead Arrangers and Joint Bookrunners, the Selling Agents (other than the Bank), the Trustee, and the Registrar and Paying Agent is a third-party in relation to the Issuer, and none of the foregoing entities is (i) a subsidiary or affiliate of the Issuer or (ii) related in any manner to the Issuer as would undermine its independence and ability to perform its obligations in relation to the issuance of the Bonds.

This Offering Circular does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make any such offer or solicitation. The distribution of this Offering Circular and the offer or sale of Bonds may be restricted by law in certain jurisdictions. None of the Bank nor the Joint Lead Arrangers and Joint Bookrunners or the Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) represent that this Offering Circular may be lawfully distributed, or that any Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution of offering. No Bonds may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Bonds. Each investor in the Bonds must comply with all applicable laws and regulations in force in the jurisdiction in which it purchases or offers to purchase such Bonds, and must obtain the necessary consent, approval, or permission for its purchase, or offer to purchase such Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchase or offer, and neither the Bank nor the Joint Lead Arrangers and Joint Bookrunners or the Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) shall have any responsibility thereof. Interested investors should inform themselves as to the applicable legal requirements under the laws and regulations of the countries of their nationality, residence, or domicile and as to any relevant tax or foreign exchange control laws and regulations that may affect them.

The Bank's audited financial statements as of and for the years ended 31 December 2025, 2024, and 2023 together with its unaudited and reviewed interim financial statements as of and for the six-month period ended 30 June 2026, and which will be considered an integral part hereof, have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. The Bank's financial statements as of and for the years ended 31 December 2023 and 2024 were audited by R.G. Manabat & Co. while the Bank's financial statements as of and for the year ended 31 December 2025 was audited by Punongbayan & Araullo. Similarly, the Bank's interim financial statements as of and for the 6 month period ended 30 June 2026, including condensed interim statements of income and condensed interim statements of cash flows for the 6 months ended 30 June 2025 was reviewed in accordance with Philippine Standard on Review Engagements (PSRE) 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" by Punongbayan & Araullo.

CONVENTIONS WHICH APPLY TO THIS OFFERING CIRCULAR

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the "Philippines" are references to the Republic of the Philippines. All references to the "Government", "Philippine Government" or the "National Government" herein are references to the Government of the Philippines. All references to "United States" or "U.S." herein are to the United States of America. All references to "Peso", "Php", "PHP" or "₱" herein are to the lawful currency of the Philippines and all references to "U.S. dollars" or "US$" herein are to the lawful currency of the United States.

Figures in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown for the same item of information may vary and figures which are totals may not be an arithmetic aggregate of their components.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements. The Bank has based these forward-looking statements largely on its current expectations and projections about future events and financial trends affecting its business. The words "believes", "can", "may", "will", "would", "estimates", "continues",

"anticipates", "intends", "expects" and similar words are intended to identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding the Bank's financial position and results, business strategy, plans and objectives of management for future operations, including development plans and objectives relating to the Bank's products and services, are forward-looking statements. In light of these known and unknown risks, uncertainties, and other factors associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Offering Circular might not occur, and the Bank's actual results performance or achievements may be materially different from the future results, performance or achievements expressed or implied by forward-looking statements. Such forward-looking statements are based on current beliefs, assumptions, expectations, estimates and projections regarding the Bank's present and future business strategies and the environment in which the Bank will operate in the future. Among the important factors that could cause some or all of those assumptions not to occur or cause the Bank's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- the actual growth in demand for banking and other financial products and services;
- future levels of non-performing assets;
- the Bank's growth strategy and expansion plans;
- the adequacy of the Bank's allowance for credit losses;
- the adequacy of the Bank's allowance for investment losses;
- technological change;
- the Bank's ability to market new products and services;
- the Bank's ability to successfully implement its business strategy;
- the outcome of any legal or regulatory proceedings to which the Bank is or may become a party;
- the future impact of new accounting standards;
- the impact on the Bank of Philippine banking regulations (and of other government regulations where the Bank may operate);
- the Bank's ability to access low-cost funding;
- increased competition from other banks;
- the Bank's exposure to market risks;
- risks related to the Bank;
- risks relating to the Philippines;
- risks associated with the Bonds; and
- risks relating to certain statistical information in this Offering Circular.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on net interest income and net income could materially differ from those that have been estimated.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to: general economic and political conditions in the Philippines and the other countries which have an impact on the Bank's business activities or investments; the monetary and interest rate policies of the Government; inflation, volatility in interest rates, foreign exchange rates, equity prices or other rates or prices; the performance of the financial markets in the Philippines and globally; changes in Philippine and foreign laws and regulations, including tax, accounting and banking regulations; changes in competition in the Philippines; and changes in asset valuations. For further discussion of the factors that could cause actual results to differ, see "Investment Considerations".

Any forward-looking statements contained in this Offering Circular speak only as at the date of this Offering

Circular. The Bank, the Joint Lead Arrangers, the Joint Bookrunners, and the Selling Agents assume no obligation to update any of the forward- looking statements after the date of this Offering Circular or to confirm these statements to actual results, subject to compliance with all applicable laws. The Bank, the Joint Lead Arrangers, the Joint Bookrunners, and the Selling Agents assume no obligation to update any information contained in this Offering Circular or to publicly release any revisions to any forward-looking statements to reflect events or circumstances; or to reflect that the Issuer became aware of any such events or circumstances that occur after the date of this Offering Circular.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, market data and certain industry forecasts used throughout this Offering Circular were obtained from internal surveys, market research, information compiled and made available by the BSP, or other publicly available sources and industry publications. None of the Bank or the Joint Lead Arrangers and Joint Bookrunners or Selling Agents have verified such information with independent sources nor make any representation as to the accuracy or completeness of such information. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither the Bank nor the Joint Lead Arrangers and Joint Bookrunners and Selling Agents make any representation as to the accuracy and completeness of such information.

PRICING SUPPLEMENT

For each issuance of a Tranche of the Bonds under the Programme, the Bank shall distribute the relevant Pricing Supplement applicable to such Tranche which shall be disclosed to the public through filing with the PDEx and made available for download from the website of the Bank, specifically, www.bankcom.com.ph.

In addition to the name of the Issuer and description of the Programme, the Pricing Supplement shall contain the following information in respect of the Tranche to be issued:

(a) offer size;
(b) applicable interest rate;
(c) tenor;
(d) offer price;
(e) manner of distribution;
(f) form and denomination;
(g) provisions relating to redemption;
(h) other terms and conditions applicable to the specific Tranche; and
(i) parties to the distribution.

The Pricing Supplement shall also contain amendments or updates to this Offering Circular, if any.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with:

(a) all amendments and supplements to this Offering Circular prepared from time to time by the Bank;
(b) the most recently published audited non-consolidated and (if produced) consolidated annual financial statements and, if published later, the most recently published unaudited interim non-consolidated and (if produced) consolidated financial results of the Bank, in each case together with any audit or review reports prepared in connection therewith (where relevant); and
(c) disclosures on any material development on the Issuer and/or its business made through the Issuer's website (https://www.bankcom.com.ph/about-us/disclosures/), the Philippine Stock Exchange, or Philippine Dealing and Exchange Corp.

which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

Any published unaudited interim financial statements of the Bank which are, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited or reviewed, as the case may be, by the auditors of the Bank. Accordingly, there can be no assurance that, had an audit been conducted in respect of such financial statements, the information presented therein would not have been materially different, and investors should not place undue reliance upon them. (see "*Investment Considerations—Risks Related to the Information in this Offering Circular—Undue reliance cannot be placed on any unaudited and/or unreviewed interim financial statements included in and/or deemed incorporated by reference to this Offering Circular*").

The Bank will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Bank at its office set out at the end of this Offering Circular.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, to an extent which is material in the context of the Programme, a new offering circular will be prepared.

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SECTION 1. OFFERING CIRCULAR SUMMARY

*This summary highlights information contained elsewhere in this Offering Circular. The following summary is qualified in its entirety by, and must be read in conjunction with, the more detailed information and financial statements, including notes thereto, appearing elsewhere in this Offering Circular. Investors are recommended to read this entire Offering Circular carefully, including the Bank's financial statements and related notes (the "**Financial Statements**") and "Investment Considerations."*

1.1 DESCRIPTION OF THE BANK

Bank of Commerce, a universal bank licensed by the Bangko Sentral ng Pilipinas ("BSP"), traces its origins to the Overseas Bank of Manila, established in Binondo, Manila in 1963. In 2008, San Miguel Corporation ("SMC") bought into the Bank and became a major stakeholder through the voting stake of San Miguel Properties, Inc. in the Bank. In December 2020, the Intellectual Property Office (IPO) granted the copyright license for "BankCom" as the Bank's official short name.

The Bank provides innovative banking solutions and a complete range of products and services in deposit, commercial loans, credit card services, consumer banking, transaction banking, corporate banking, investment banking, treasury, asset management, trust and investments. In terms of service reach, the Bank has retail and corporate internet banking facilities, and maintains a network of 142 branches – inclusive of the main branch, 139 regular branches, and 2 branch lite units – and 284 automated teller machines (ATMs) and cash kiosks, strategically located nationwide as of June 30, 2026.

1.2 RECENT DEVELOPMENTS

1.2.1 Highlights for the Period ended 30 June 2026 vs 30 June 2025

For the six months ended June 30, 2026, Bank of Commerce recorded an unaudited net income of ₱2.11 billion, reflecting a 13.34% increase from ₱1.86 billion in the same period last year. BankCom's revenue expansion is mainly attributable to sustained growth in core revenue streams driven by net interest income, gains from foreign exchange transactions, and sale of properties and assets.

Net interest income surged to ₱6.11 billion, improving 18.77% growth from the ₱5.15 billion recorded in the same period last year. The increase was driven by the strong contributions from the Bank's lending activities and investment securities portfolio owing to higher average daily levels, along with the lower cost of funds despite a challenging interest rate environment.

Despite the challenging market conditions, the Bank maintained a diversified revenue base that continued to support overall earnings growth as it saw Other income contributing ₱785.38 million. The Bank earned from ROPA sales of ₱340.69 million, which is an 18.01% increase from last year and foreign exchange gains from client-related transactions of ₱109.58 million, 5.90% higher from the first half of 2025. These revenue sources along with fee-generating activities softened the impact of trading losses arising from market volatility stemming from geopolitical tensions in the Middle East.

BankCom maintained strong asset quality, with provisions for credit and impairment losses declining by 13.17% to ₱7.98 million from the same period last year, reflecting disciplined risk management practices.

Operating expenses ("**OPEX**"), excluding provision for credit and impairment losses, posted ₱4.05 billion, 12.54% more than the ₱3.60 billion in the same period last year. The increase reflects BankCom's continued strategic investments in human capital, branch lites, technology, and other business expansion initiatives.

The bank's strategy of improving its revenue streams and prudent spending resulted in a cost-to-income ratio of 59%.

1.2.2 Highlights for the Period ended 30 June 2026 vs Year Ended 31 December 2025

As of 30 June 2026, total assets stood at ₱287.51 billion, a slight increase from the 286.85 billion as of 31 December 2025, translating to return on assets ("ROA") of 1.47%.

Total loans and receivables which represent 53% of the total assets, totaled ₱153.56 billion, 5.68% down from last year due to scheduled paydowns and maturities during the period. The slight dip in loans resulted to a loan-to-deposit ratio of 70%. Gross non-performing loans ("NPL") and net NPL ratios remained in check at 1.43% and 0.63% respectively.

Financial assets at fair value through profit or loss ("FVPL") and financial assets at fair value through other comprehensive income ("FVOCI"), decreased to ₱3.78 billion and ₱31.75 billion, respectively, from ₱5.17 billion and ₱35.02 billion as of 31 December 2025. These portfolio reductions were aimed at mitigating the impact of geopolitical tensions in the Middle East. In contrast, investment securities at amortized cost increased by 18.94% to ₱49.21 billion from ₱41.37 billion of last year, driven by additional investments in government securities to lock in higher yields and manage market fluctuations.

Total deposits, which comprise 89.05% of the Bank's total liabilities, inched by 0.14% to ₱223.64 billion from ₱223.31 billion as of 31 December 2025, supported by growth in current and savings deposits. Broken down, total deposits consisted of ₱202.59 billion current account and savings account ("CASA"), posting an increase of 2.07% from ₱198.49 billion as of 31 December 2025. Time deposits declined by 15.22%, settling at ₱21.05 billion compared to the ₱24.83 billion recorded as of 31 December 2025.

Bonds payable stayed relatively flat at ₱17.91 billion.

During the period, the bank successfully maintained its bond funding base, reflecting continued investor confidence with its sound financial position.

The Bank's total capital funds remained strong at ₱36.37 billion as of 30 June 2026, representing a slight decrease of 0.56% from the ₱36.58 billion recorded as of 31 December 2025. Despite the modest decline, the Bank's sustained profitability and continued accumulation of retained earnings helped maintain a strong capital position during the period.

1.2.3 Payment of Dividends to Stockholders at Record

During the Regular Meeting on 26 May 2026, the Board of Directors declared cash dividends to be paid out of the unrestricted retained earnings of the Bank as of December 31, 2025. This is after the Bank registered ₱3.54 billion profit in 2025.

This is the bank's third dividend declaration since going public in 2022. The total payout amounts to over ₱906 million, including ₱275 million for preferred shares.

Common shareholders received a total of ₱0.45 per share—comprising a regular dividend of ₱0.25 and a special dividend of ₱0.20. The dividends were paid on July 15, 2026, to shareholders on record as of June 19, 2026.

The payout represents 26% of its 2025 net income and will be funded from retained earnings, which remain well above levels at the time of its IPO.

1.3 BANK INFORMATION

Bank of Commerce was incorporated under the laws of the Philippines in 1963. The Bank's head office and principal place of business is located at the San Miguel Properties Center, No. 7 St. Francis Street, Mandaluyong

City, Philippines. The Bank's telephone number at this location is (+632) 8982 6000. The Bank's primary website is www.bankcom.com.ph.

SECTION 2. SUMMARY OF FINANCIAL INFORMATION

The following tables present the Bank's selected financial information and should be read in conjunction with the Bank's audited financial statements for the years ended 2023, 2024 and 2025 and the unaudited and reviewed interim financial statement as of and for the six-months period ended 30 June 2026 and the respective notes included thereto contained in this Offering Circular and the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations", and "Business" in this Offering Circular. The selected financial information presented below were derived from its audited financial statements of the Bank as of and for the years ended 31 December 2023, 2024, and 2025 and from its unaudited and reviewed interim financial statements of the Bank as of and for the 6 months ended 30 June 2026, including condensed interim statements of income and condensed interim statements of cash flows for the 6 months ended 30 June 2025. The selected financial information presented below was prepared in accordance with PFRS Accounting Standards.

The financial statements for the year ended 31 December 2025 was audited by Punongbayan & Araullo, while the financial statements for the years ended 31 December 2024 and 2023 were audited by R.G. Manabat & Co. in accordance with Philippine Standards on Auditing.

The Bank's unaudited and reviewed interim financial statements as of and for the six-months period ended 30 June 2026 including condensed interim statements of income and condensed interim statements of cash flows for the 6 months ended 30 June 2025 was prepared in accordance with Philippine Standard on Review Engagements (PSRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" by Punongbayan & Araullo. The audited financial statements and reviewed interim financial statements, in each case, are qualified in their entirety by reference to those financial statements and the related notes thereto. The selected financial information set out below does not purport to project the results of operations or financial condition for any future period or date.

2.1 CONDENSED STATEMENTS OF FINANCIAL POSITION

	2023	**2024**	**2025**	**H1 2026**
amounts in ₱ millions	*audited*	*audited*	*audited*	*reviewed*
Cash and other cash items	3,501	4,244	3,549	4,295
Due from BSP	24,272	47,913	18,054	22,527
Due from other banks	1,055	3,819	2,105	7,244
Interbank loans receivable and SPURA	20,112	3,587	7,648	3,956
Financial Assets at FVPL	399	2,876	5,170	3,784
Financial Assets at FVOCI	11,044	19,079	35,018	31,749
Investment Securities at Amortized Securities	52,471	36,612	41,371	49,207
Loans and Receivables	109,566	136,505	162,819	153,564
Investment in an Associate	36	34	33	33
Property, Equipment, and Right-of-Use Assets	1,791	2,000	2,017	2,000
Investment Properties	3,676	3,993	4,116	3,935
Deferred Tax Assets	475	447	270	439
Other Assets	3,270	4,330	4,683	4,778
TOTAL ASSETS	**231,668**	**265,440**	**286,854**	**287,509**
LIABILITIES AND EQUITY				
Demand	54,569	63,962	80,073	81,303
Savings	109,668	125,100	118,415	121,287

amounts in ₱ millions	2023 *audited*	2024 *audited*	2025 *audited*	H1 2026 *reviewed*
Time	16,639	17,916	24,826	21,047
LTNCD[1]	5,029	5,029	-	-
	185,905	**212,008**	**223,314**	**223,637**
Financial Liabilities at FVPL	6	45	2	15
Bonds Payable	7,478	6,534	17,881	17,911
Manager's Checks	1,846	1,414	1,798	1,452
Accrued Interest, Taxes, and Other Expenses	1,387	1,098	1,350	1,509
Other Liabilities	4,193	11,110	5,931	6,612
TOTAL LIABILITIES	**200,817**	**232,210**	**250,275**	**251,136**
Capital stock	18,197	18,197	18,197	18,197
Paid-in-surplus	7,229	7,229	7,229	7,229
Surplus reserves	1,095	1,169	1,584	1,479
Retained earnings	5,123	7,502	9,791	11,098
Net unrealized losses on financial assets at FVOCI	(421)	(535)	100	(1,313)
Remeasurement losses on retirement liabilities	(366)	(332)	(324)	(324)
Share in other comprehensive loss	(5)	(5)	(5)	(5)
Cumulative translation adjustment	(2)	5	7	13
TOTAL EQUITY	**30,851**	**33,230**	**36,578**	**36,373**
TOTAL LIABILITIES AND EQUITY	**231,668**	**265,440**	**286,854**	**287,509**

2.2 STATEMENTS OF INCOME

amounts in ₱ millions	2023 *audited*	2024 *audited*	2025 *audited*	H1 2025 *reviewed*	H1 2026 *reviewed*
Interest Income					
Loans and receivables	8,245	9,429	10,834	5,238	5,682
Investment securities at FVOCI	2,248	2,687	3,340	1,473	1,984
Interbank loans receivable and SPURA	876	542	553	270	324
Due from BSP	373	379	305	172	150
Other Interest income	22	127	286	130	122
	11,763	**13,164**	**15,318**	**7,283**	**8,262**
Interest Expense					
Deposit liabilities	2,971	3,466	3,029	1,442	1,524
Bonds payable	413	533	1,439	670	594
Lease liabilities	33	39	43	21	20
Bills payable and other borrowings	49	15	28	5	12
	3,466	**4,053**	**4,539**	**2,137**	**2,150**
Net interest income	**8,296**	**9,111**	**10,778**	**5,147**	**6,113**

[1] Long-Term Negotiable Certificate of Time Deposit

amounts in ₱ millions	2023 *audited*	2024 *audited*	2025 *audited*	H1 2025 *reviewed*	H1 2026 *reviewed*
Service charges, fees, and commissions	886	1,075	948	435	407
Gains on foreclosure and sale of assets – net	495	342	402	289	341
Foreign exchange gains – net	141	128	252	103	110
Trading and investment securities gains – net	11	(1)	96	38	(137)
Miscellaneous	145	103	132	47	65
Total Operating Income	**9,975**	**10,756**	**12,609**	**6,059**	**6,898**
Compensation and fringe benefits	2,258	2,637	3,037	1,475	1,661
Taxes and licenses	1,063	1,095	1,123	593	687
Depreciation and amortization	489	623	673	321	358
Rent and utilities	648	623	700	341	368
Service fees and commissions	418	495	426	193	185
Insurance	345	384	413	200	216
Provision for (reversal of) credit and impairment losses	79	139	382	9	8
Subscription fees	188	106	229	114	114
Management and professional fees	141	98	93	43	36
Amortization of software costs	77	96	145	66	86
Entertainment and recreation	12	19	17	7	7
Miscellaneous	520	498	564	249	337
Total Operating Expenses	**6,238**	**6,813**	**7,801**	**3,612**	**4,063**
Income Before Share in Net Loss of an Associate	3,737	3,943	4,808	2,447	2,835
Share in Net Loss of an Associate	1	1	1	0	0
Income Before Income Tax Expense	**3,736**	**3,943**	**4,807**	**2,447**	**2,835**
Income Tax Expense	934	918	1,267	586	726
Net Income	**2,802**	**3,025**	**3,540**	**1,861**	**2,109**

2.3 STATEMENTS OF CASH FLOWS

amounts in ₱ millions	2023 *audited*	2024 *audited*	2025 *audited*	H1 2025 *reviewed*	H1 2026 *reviewed*
CF FROM OPERATING ACTIVITIES					
Income before RCIT	3,736	3,943	4,807	2,447	2,835
Adjustments	-	-	-		
D&A	489	623	673	321	358
Interest expense on bonds payable	413	533	1,439	670	594
Gains on foreclosure and sale of assets - net	(495)	(342)	(402)	(289)	(341)
Provision for credit and impairment losses	79	139	382	9	8
Amortization of software costs	77	96	145	66	86
Interest expense on lease liabilities	33	39	43	21	20
Gain on sale of financial assets at FVOCI	(7)	(2)	(16)	(6)	(56)
Unrealized loss on financial assets at FVPL	(23)	1	(65)	(39)	121
Share in net loss of an associate	1	1	1	0	0
Miscellaneous income	-	(0)	(16)	(0)	0

amounts in ₱ millions	**2023** *audited*	**2024** *audited*	**2025** *audited*	**H1 2025** *reviewed*	**H1 2026** *reviewed*
Changes in operating assets and liabilities					
Interbank loans receivables	-	(139)	139	1	0
Financial assets at FVPL	11	(2,439)	(2,272)	(2,372)	1,278
Loans and receivables	(4,762)	(27,434)	(27,129)	(7,352)	9,161
Other assets	(479)	(969)	(209)	(52)	(38)
Deposit liabilities	9,638	26,103	11,306	(8,187)	322
Manager's checks	1,185	(432)	384	960	(346)
Accrued interest, taxes, and others	217	(310)	193	(67)	28
Other liabilities	(64)	6,953	(5,204)	(6,680)	(181)
Net cash generated from operations	10,049	6,364	(15,803)	(20,549)	13,850
Income taxes paid	(793)	(857)	(1,230)	(552)	(653)
Net cash provided by operating activities	**9,256**	**5,506**	**(17,034)**	**(21,101)**	**13,197**
CF FROM INVESTING ACTIVITIES					
Proceeds from sale or redemption:					
Investment securities at amortized cost	84,500	114,959	327,292	109,136	220,604
Financial assets at FVOCI	5,963	306	3,580	2,497	6,860
Investment properties	238	210	514	430	482
Property and equipment	49	44	51	26	24
Additions:	-	-			
Investment securities at amortized cost	(84,763)	(99,098)	(332,052)	(115,418)	(228,441)
Financial assets at FVOCI	(10,878)	(8,371)	(18,718)	(8,149)	(5,059)
Property and equipment	(466)	(446)	(296)	(110)	(205)
Software costs	(150)	(228)	(230)	(128)	(96)
Investment properties	(21)	(14)	(43)	(15)	(7)
Net cash provided by investing activities	**(5,527)**	**7,363**	**(19,903)**	**(11,730)**	**(5,837)**
CF FROM FINANCING ACTIVITIES					
Settlement of bonds payable	-	(7,500)	(6,570)		0
Issuance of bonds payable	-	6,511	17,831	17,831	0
Cash dividends paid	-	(655)	(851)		0
Payment of interest on bonds	(377)	(496)	(1,281)	(512)	(564)
Payment of lease liability	(238)	(248)	(268)	(128)	(138)
Issuance of common stock	-	-	-		0
Net cash provided by financing activities	**(615)**	**(2,388)**	**8,861**	**17,191**	**(702)**
Effect of exchange rate	(8)	7	2	(6)	6
Net increase/ decrease in cash	**3,106**	**10,487**	**(28,073)**	**(15,645)**	**6,665**
Beg bal of CCE - gross	45,839	48,946	59,433	59,433	31,360
End bal of CCE - gross	**48,946**	**59,433**	**31,360**	**43,788**	**38,025**
Cash and other cash items	3,501	4,244	3,549	3,741	4,295
Due from BSP	24,275	47,920	18,056	29,593	22,530

amounts in ₱ millions	**2023** *audited*	**2024** *audited*	**2025** *audited*	**H1 2025** *reviewed*	**H1 2026** *reviewed*
Due from other banks	1,055	3,820	2,105	4,675	7,245
Interbank loans and SPURA	20,114	3,449	7,649	5,778	3,956
End bal of CCE - gross	**48,946**	**59,433**	**31,360**	**43,788**	**38,025**

2.4 KEY PERFORMANCE INDICATORS AND RATIOS

in %	**2023**	**2024**	**2025**	**H1 2026**
Return on Ave Assets	1.25	1.22	1.28	1.47
Return on Ave Equity	9.52	9.44	10.14	11.56
NIM on Ave Earning Assets	4.28	4.17	4.35	4.68
Tier 1 Capital Ratio	19.09	16.81	15.72	16.31
Total CAR	19.88	17.58	16.48	17.07

SECTION 3. TERMS AND CONDITIONS OF THE BONDS

The summary of the terms and conditions of the Bonds set out below is not a comprehensive enumeration of all the rights and obligations of the Issuer, the Bondholders and other parties to the offering. The parties' respective rights, obligations and privileges are set out in the Terms and Conditions annexed to the Programme Agreements, which prevail in the event of any conflict between those terms and conditions and the summary set out below.

Issuer	Bank of Commerce ("BankCom")
Issuer Rating	PRS Aa plus (corp.) with a Stable Outlook from Philippine Rating Services Corporation ("PhilRatings")
Issue	PHP-denominated Senior Fixed-Rate Bonds (the "Bonds") constituting direct, unconditional, unsecured and unsubordinated obligations of BankCom which shall form part of the Issuer's aggregate proposed ₱80.0 billion Bond Programme
Use of Proceeds	[(1) management of the Bank's net interest margin - matching of long-term assets with long-term funding to reduce the Bank's interest rate risk; (2) diversification of funding sources – more stable funding source for the bank; and (3) general corporate purposes.]
Manner of Distribution	Public offering in the domestic market
Issue Price	[Par or 100% of face value.]
Issue Date	[●] or such other date as may be agreed by the Issuer and the Joint Lead Arrangers and Bookrunners may agree upon.
Maturity Date	[●] or [●] (●) years after Issue Date
Form and Denomination	The Bonds shall be issued in scripless form and traded [●] in the secondary market. The denominations of each Tranche of the Bonds shall be set out in the relevant Pricing Supplement.
Interest Rate	The Bonds shall earn interest at a fixed interest rate (to be determined by a Benchmark Rate of plus a Spread), as set out in the relevant Pricing Supplement.
Interest Payment Computation	Interest on the Bonds shall be calculated on a 30/360-day count basis regardless of the actual number of days in a month. Interest shall be paid quarterly in arrears.
Joint Lead Arrangers and Joint Bookrunners	ING Bank N.V., Manila Branch ("**ING**") Philippine Commercial Capital, Inc. ("**PCCI Capital**") Security Bank Capital Investment Corporation ("**Security Bank Capital**") Standard Chartered Bank ("**SCB**")
Selling Agents	ING, PCCI Capital, Security Bank Capital, and SCB and other institutions as may be agreed upon. BankCom may also sell and distribute the Bonds through its branches on its own behalf.
Trustee	[RCBC Trust Corporation]
Market Maker	[PCCI Capital]

Registrar and Paying Agent	Philippine Depository & Trust Corp. ("**PDTC**")
Redemption Option	If as a result of a change in law, rule or regulation (or in the interpretation of any of the foregoing) either: (i) payments under any tranche of the Bonds become subject to additional or increased taxes other than those applicable as of the relevant Issue Date; (ii) the Issuer becomes subject to increased reserve requirements against obligations that include such tranche of the Bonds, and such additional or increased taxes or increased reserve requirements cannot be avoided by the use of reasonable measures available to the Issuer; or (iii) if any of the transaction documents (or any provision thereof) becomes invalid, illegal, or unenforceable to the extent that it becomes unlawful for the Issuer enforce its rights or comply with its obligations thereunder, or the Issuer is prevented or restrained from performing its obligations under the transaction documents, then subject to the applicable regulations, the Issuer may, at its option, redeem all (but not less than all) of the tranche of the Bonds affected by any of the foregoing events on any Interest Payment Date.
Final Redemption	The Bonds will be redeemed [at par or 100% face value upon their maturity].
Covenants; Representations and Warranties	Customary covenants and warranties such as but not limited to a negative pledge, compliance with applicable law and regulations, completeness and accuracy of due diligence information provided.
Events of Default	Customary events of default such as but not limited to non-payment, cross-default, breach of covenants or warranties.
Purchase and Cancellation	The Issuer may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase (and the Bondholders shall not be obliged to sell) Bonds pro-rata from all Bondholders. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued.
Status and Ranking of the Bonds	The Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Bank and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, other than obligations preferred by the law.
Prohibited Bondholders	Persons and entities which are prohibited from purchasing and/or holding any Bonds of the Issuer pursuant to the Governing Regulations, including: (1) the Issuer (but excluding for this purpose the Issuer's trust department, which may purchase and/or hold Bonds in the name of and for the account of its clients who are not Prohibited Bondholders); (2) any other person or entity that is classifiable as a related party of the Issuer. For purposes of this definition, a "related party" means, in addition to the Issuer's subsidiaries and affiliates, any person or entity that is in possession or has access to material and non-public information which affects the pricing and marketability of the Bonds or which would substantially impact an investor's decision to buy or sell the Bonds if disseminated among the public; *provided*, that without limiting the generality of the foregoing, the following persons shall be deemed "related parties" of the Issuer:

	(i) With respect to any issuance of the Bonds: 1) Any member of the Issuer's board of directors including the Board Advisers, Corporate Secretary, Assistant Corporate Secretary and officers/staff of the Office of the Corporate Secretary and their relatives within the first degree of consanguinity or affinity, or by legal adoption; 2) All members of the Bank's Senior Executive Team (SET) (President & CEO; Chief Finance Officer; Heads of Treasury Group, Trust Services Group, Corporate Banking Group I, Corporate Banking Group II, Branch Banking Group, Transaction Banking Group, Credit Card Group, Consumer Group, Executive Support Group, Operations Group, Credit Group, Heads of Human Resources Management and Development Division, Legal Services Division, Corporate Communication and Consumer Protection Division, Information Technology Division, Risk Management Division, Internal Audit Division, Compliance Division); the SET consultants; SET secretariat; the Executive Assistant of the President; the Assistant to the President; and their relatives within the first degree of consanguinity or affinity, or by legal adoption; 3) All members of the Asset and Liability Committee (ALCO) including the ALCO secretariat and their relatives within the first degree of consanguinity or affinity, or by legal adoption; 4) Any of the Issuer's personnel in the following Group, Division or Department, including their relatives within the first degree of consanguinity or affinity, or by legal adoption: (A) Treasury Management Group; (B) Trust Services Group; (C) Compliance Division; (D) Office of the Corporate Secretary; (E) Finance and Controllership Group; (F) Corporate Planning Division; (G) Legal Services Division; (H) Corporate Communication and Consumer Protection Division; and (I) Market and Liquidity Risk Department; 5) The Bank's stockholders, substantial stockholders, subsidiaries, affiliates and other related parties, as defined in Section 131 of the Manual of Regulations for Banks (as the same may be amended, supplemented or replaced at the time of any offering of a Tranche of the Bonds). Stockholders shall refer to any stockholder of record of the Bank, whose stockholdings, amount to one percent (1%) or more of the total subscribed capital stock of the Bank, individual and/or collectively with the stockholdings of:

	a) his spouse and/or relative within the first degree by consanguinity or affinity or legal adoption; b) a partnership in which the stockholder and/or the spouse and/or any of the aforementioned relatives is a general partner; and c) association or firm of which the stockholder and/or his spouse and/or the aforementioned relatives own more than fifty percent (50%) of the total subscribed capital stock of such corporation, association or firm. (ii) With respect to any Tranche of the Bonds, the following persons, but only to the extent such persons have performed the services or functions described below in respect of such Tranche: 1) The partners and associates of external legal counsel to the Issuer, the Joint Lead Arrangers and Joint Bookrunners; and 2) The officers and staff of (x) the Issuer's external auditors, and (y) auditors providing comfort letters in respect of such Tranche; *Provided, further*, that a party participating in an Offer as an underwriter or Joint Lead Arranger and Joint Bookrunner of the Bonds may hold such Bonds even if such underwriter or Joint Lead Arranger and Joint Bookrunner is a related party of the Issuer, to the extent that such party is authorized to hold Bonds pursuant to the relevant underwriting or arrangement agreement and otherwise is in compliance with the provisions of the Governing Regulations applicable to such investment. (b) persons defined as U.S. Persons under the Foreign Account Tax Compliance Act of the United States, as such statute may be amended from time to time ("FATCA"), including, but not limited to, (1) a U.S. citizen (including a dual citizen who may have another citizenship besides having U.S. citizenship), (2) a U.S. resident alien for tax purposes, which includes a person who has substantial presence in the U.S. ("substantial presence" is defined as more than 31 days in the current calendar year or a total of 183 days over the previous three years from the current tax year), (3) a U.S. partnership, U.S. corporation, or U.S. entity, (4) a U.S. estate, (5) a U.S. trust if a court within the United States is able to exercise primary supervision over the administration of the trust, or one or more U.S. persons who have the authority to control all substantial decisions of the trust, (6) a passive non-financial foreign entity with U.S. controlling persons, or (7) any other person that is not a non-U.S. person under the FATCA; and (c) any Restricted Party.
Taxation	If any payments of principal and/or interest on the Bonds shall be subject to deductions or withholding for or on account of any present taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") that may be levied, collected, withheld or assessed by or within the Philippines or any authority therein or thereof

	having the power to tax, including but not limited to documentary stamp, income, value-added or similar taxes, then all such Taxes (including, for the avoidance of doubt, any Taxes that may be imposed due to a change in applicable law or in the interpretation thereof after the Issue Date) shall be for the account of the Bondholder concerned; and if the Issuer shall be required by law or regulation to deduct or withhold such Taxes, then the Issuer shall make the necessary withholding or deduction for the account of the Bondholder concerned; *provided*, that all sums payable by the Issuer to tax-exempt persons shall be paid in full without deductions for Taxes or other duties, assessments or government charges, subject to the submission by the relevant Bondholder claiming the exemption of the documents required in Clause 2(b)(iii) above and such other evidence as may be acceptable to the Issuer; and *provided, further*, that documentary stamp tax for the primary issue of the Bonds, if any, shall be for the Issuer's account. (See "Philippine Taxation" section of the Offering Circular for an extended discussion on the taxation of the Bonds).
Registration Requirement	The Bonds are classifiable as exempt securities under Section 9.1(e) of the Securities Regulation Code (Republic Act No. 8799) and do not need to be registered with the Securities and Exchange Commission.
Listing	The Issuer shall list the Bonds in PDEx on the Issue Date.
Transfer of the Bonds	Trading of the Bonds will be coursed through a PDEx Participant under the Scripless Book-entry System of the PDEx. Trading, transfer and/or settlement of the Bonds shall be performed in accordance with the PDEx and PDTC rules and procedures to be set by the Issuer and the Registrar. Upon any assignment, title to the Bonds will pass by recording of the transfer from the transferor to the transferee in the electronic register of bondholders to be maintained by the Registrar.
Governing Law	Philippine Law

SECTION 4. FORM OF PRICING SUPPLEMENT

[BankCom logo]

BANK OF COMMERCE
(A corporation duly organized and existing under Philippine laws)

PRICING SUPPLEMENT
dated [●]

Offer of up to [₱●] Tranche [●] Bonds under its
₱80,000,000,000.00 Bond Programme

[●]% p.a. Tranche [●] Bonds due [●]
At an Offer Price of [100%] of Face Value

to be listed and traded through
the Philippine Dealing and Exchange Corporation

Joint Lead Arrangers and Joint Bookrunners

ING Bank N.V., Manila Branch ("**ING**")
Philippine Commercial Capital, Inc. ("**PCCI Capital**")
Security Bank Capital Investment Corporation ("**Security Bank Capital**")
Standard Chartered Bank ("**SCB**")

Selling Agents

Bank of Commerce
ING Bank N.V., Manila Branch
Philippine Commercial Capital, Inc.
Security Bank Capital Investment Corporation

Standard Chartered Bank

OFFER OF TRANCHE [●] BONDS
BY BANK OF COMMERCE
UNDER ITS ₱80,000,000,000 BOND PROGRAMME

This document constitutes the Pricing Supplement relating to the Tranche [□] Bonds being offered and described herein (the "Offer"). Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "Terms and Conditions") set forth in the Offering Circular dated [□]. This Pricing Supplement contains the final terms of this Offer and the Tranche [□] Bonds and must be read in conjunction with the Offering Circular. Full information on BankCom and the Offer is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. All information contained in the Offering Circular are deemed incorporated by reference in this Pricing Supplement.

Issuer	Bank of Commerce ("**BankCom**")
Issuer Rating	PRS Aa plus with a Stable Outlook
Issue	PHP-denominated [●] Bonds (the "Bonds")
Issue Amount	[●]
Manner of Distribution	Public offering
Use of Proceeds	[●]
Issue Price	[●]
Offer Period	The offer of the Bonds shall commence at [●] on [●] and end at [●] on [●], or any other period as may be determined by the Issuer and the Arrangers and Bookrunners
Issue Date	[●] or such other date as may be agreed by the Issuer and the Joint Lead Arrangers and Joint Bookrunners.
Maturity Date	[●] or [●] Years after Issue Date
Maturity Value	[●]
Form and Denomination	The Bonds shall be issued in scripless form in denominations of [●] each, as a minimum, and in multiples of [●] thereafter, and traded in denominations of [●] in the secondary market.
Ranking	The Bonds constitute direct, unconditional, unsecured, and unsubordinated obligations of the Bank, enforceable according to the Terms and Conditions, and shall at all times rank pari passu and without any preference or priority among themselves and at least pari passu with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws
Interest Rate	[●]% per annum payable on the Interest Payment Dates set out below [*to be adjusted if parties agree on floating rate*]

Interest Period	[●]
Interest Payment Dates	[●]
Day Count Fraction	30/360 day count basis
Governing Law	Philippine Law
Payment Account Name	[●]
Listing	[●]
Other Terms and Conditions applicable to the Tranche Bonds	[●]

PARTIES TO THE TRANSACTION

Joint Lead Arrangers and Joint Bookrunners	ING Bank N.V. Manila Branch ("**ING**") Philippine Commercial Capital, Inc. ("**PCCI Capital**") Security Bank Capital Investment Corporation ("**Security Bank Capital**") Standard Chartered Bank ("**SCB**")
Selling Agents	BankCom ING PCCI Capital Security Bank Capital SCB
Trustee	[RCBC Trust Corporation]
Market Maker	[PCCI Capital]

ADDITIONAL INFORMATION

Amendment or Supplement to the Offering Circular

[*Changes or updates necessary to make the statements in the Offering Circular true and correct should be reflected here*.]

RESPONSIBILITY

The Bank accepts responsibility for the information contained in this Pricing Supplement.

Bank of Commerce
(BankCom)

By:

_____

[●]
[●]

SECTION 5. USE OF PROCEEDS

The purpose of the issuance is: (1) management of the Bank's net interest margin - matching of long-term assets with long-term funding to reduce the Bank's interest rate risk; (2) diversification of funding sources – more stable funding source for the banks; and (3) general corporate purposes.

SECTION 6. INVESTMENT CONSIDERATIONS

An investment in the Bonds issued under the Programme involves a number of investment considerations. Prospective investors should carefully consider all the information contained in this Offering Circular, including the investment considerations described below, before any decision is made to invest in the Bonds. The Bank's business, cash flows, financial condition, results of operations and prospects could be materially adversely affected by any of these investment considerations. The market price of the Bonds could decline due to any one of these risks, and all or part of an investment in the Bonds could be lost.

In making an investment decision, each investor must rely on its own examination of the Bank and the terms of the offering of any Bonds issued under the Programme. The following discussion is not intended to be a comprehensive description of the risks and other factors and is not in any way meant to be exhaustive as the risks which the Bank faces relate to events and depend on circumstances that may or may not occur in the future. In addition, some risks may be unknown to the Bank and other risks, currently believed to be immaterial, could turn out to be material. Prospective investors are encouraged to make their own independent legal, tax, financial, and business examination of the Bank, the Bonds, and the market. Neither the Bank nor the Joint Lead Arrangers and Joint Bookrunners and Selling Agents make any warranty or representation on the marketability or price on any investment in the Bonds.

6.1 CONSIDERATIONS RELATING TO THE PHILIPPINES

6.1.1 Volatility in the value of the Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect the Bank's businesses.

Over the past several years, the U.S. dollar has generally outperformed the Philippine Peso, as reflected in the sustained depreciation of the Peso. Movements in the Peso may be driven by global interest-rate cycles, geopolitical tensions (including the U.S.–China trade dispute, the Russo-Ukrainian conflict, and ongoing unrest in the Middle East), and rising regional security risks in the West Philippine Sea (South China Sea). These developments could prompt capital outflows from emerging markets such as the Philippines, contributing to heightened foreign-exchange volatility. Persistent currency weakness or sharp fluctuations could adversely affect the Bank's financial position and results of operations.

As of the year ended 2023, 2024, 2025, and as of month-end of June 2026, the Philippine Peso registered exchange rates of ₱55.57, ₱58.04, ₱58.81, and ₱61.22 per US$1, respectively as reported by BSP.[2]

6.1.2 Substantially all of the Bank's operations and assets are based in the Philippines and, therefore, a slowdown in economic growth in the Philippines could materially and adversely affect the Bank's business, financial position and results of operations.

Substantially all of the Bank's business activities and assets are based in the Philippines, which exposes the Bank to risks associated with the country. As a result, the Bank's income, results of operations and the quality and growth of its assets depend, to a large extent, on the performance of the Philippine economy. Historically, the Bank has derived substantially all of its revenues and operating profits from the Philippines and, as such, their businesses are highly dependent on the state of the Philippine economy. Demand for banking services, residential real estate, automotives, electricity and insurance are all directly related to the strength of the Philippine economy (including its overall growth and income levels), the overall levels of business activity in the Philippines as well as the amount of remittances received from OFWs and overseas Filipinos. Factors that may adversely affect the Philippine economy include:

- Decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally;
- Scarcity of credit or other financing, resulting in lower demand for products and services provided

[2] https://www.bsp.gov.ph/statistics/external/Table%2012.pdf

by companies in the Philippines, the Southeast Asian region or globally;

- Exchange rate fluctuations and foreign exchange controls;
- Rising inflation or increases in interest rates;
- Levels of employment, consumer confidence and income;
- Changes in the Government's fiscal and regulatory policies, including tax laws and regulations that impact of may impact inflation and consumer demand;
- Government budget deficits
- Adverse trends in the current accounts and balance of payments of the Philippine economy
- Re-emergence of epidemic or pandemic-type infectious diseases such as Severe Acute Respiratory Syndrome (SARS), avian Influenza (commonly known as bird flu), H1N1, Polio, or the emergence of another similar disease (such as Zika) in the Philippines or in other countries in Southeast Asia;
- Natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;
- Downgrade in the long-term foreign and local currency sovereign credit ratings of the Philippines or the related outlook for such ratings;
- Political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- Other regulatory, social, political or economic developments in or affecting the Philippines.

There can be no assurance that the Philippines will maintain strong economic fundamentals in the future. Any future deterioration in economic conditions in the Philippines could materially and adversely affect the Bank's financial position and results of operations, including the Bank's ability to grow its asset portfolio, the quality of the Bank's assets and its ability to implement the Bank's business strategy. Changes in the conditions of the Philippine economy could materially and adversely affect the Bank's business, financial condition and results of operations.

6.1.3 Political instability in the Philippines could destabilize the country and may have a negative effect on the Bank's businesses.

The Philippines has, from time to time, experienced political and military instability, including acts of political violence. In the last decade, there has been various instances of political instability in the Philippines, including extra-judicial killings, alleged electoral fraud, impeachment proceedings (most notably the recent impeachment trial of Vice President Sara Duterte), and public and military protests arising from alleged misconduct by previous administrations. In addition, a number of officials of the Philippine government are currently under investigation or have been indicted on corruption charges stemming from allegations of misuse of public funds, extortion, bribery, or usurpation of authority. There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy.

An unstable political environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the business, operations, and financial condition of the Bank.

Since 2024, the Philippines has been rocked by one of its largest government corruption controversies, centering on billions of pesos allocated to flood control and mitigation projects under the Department of Public Works and Highways ("**DPWH**"). Government audits, media investigations, and a Senate inquiry have uncovered widespread "ghost" projects, overpriced contracts, and collusion between government officials and contractors. These issues have triggered regulatory investigations, public protests, and a loss of confidence in the Philippine

market, potentially resulting in huge capital outflows and economic uncertainty, which may adversely affect the Bank's businesses, financial condition, and results of operations.

Investor sentiment and public expenditure can be sensitive to governance controversies, legislative investigations, or procurement audits. In December 2025, monetary policy communications referenced weaker business sentiment linked to governance concerns, which the BSP balanced against a benign inflation outlook when calibrating rate cuts. A deterioration in sentiment - whether due to controversies, procurement issues, or policy reversals - could weigh on growth, credit formation, and market liquidity.

No assurance can be given that the future political or social environment in the Philippines will be stable or that current and future governments will adopt economic policies conducive for sustaining economic growth. Political or social instability in the Philippines could negatively affect the general economic conditions and business environment in the Philippines, which could have a material adverse effect on the business, operations, and financial position of the Bank.

6.1.4 Acts of terrorism could destabilize the country and could have a material adverse effect on the Bank's businesses, financial condition and results of operation.

The Philippines has experienced periodic terrorist incidents and armed conflict, particularly in the southern regions, involving various extremist and separatist groups. In recent years, isolated bombings mainly in regions in the southern part of the Philippines have occurred and although no one has claimed responsibility for these attacks, it is believed that the attacks are the work of various separatist and terrorist groups.

An increase in the frequency of attacks or conflicts between the Government and armed or terrorist groups could lead to further injuries or deaths of civilians and police or military personnel, which could destabilize parts of the country and adversely affect the country's economy. Any such destabilization could cause interruption to parts of the Bank's businesses and materially and adversely affect its financial conditions, results of operations and prospects.

6.1.5 Public health epidemics or outbreaks of diseases could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Bank's business, financial condition and results of operations.

Should public health epidemic or outbreak of diseases become widespread in the Philippines or increases in severity, it could have an adverse effect on economic activity in the Philippines, including reduced consumer spending, supply chain interruptions, mobility restrictions, and weakened business sentiment in the Philippines and could materially and adversely affect the Bank's business, financial condition and results of operations.

In early 2020, there was an outbreak of the Novel Coronavirus (2019-nCoV), a severe flu-like coronavirus, which originated in Wuhan, China and spread to the rest of the world. Various countries (the Philippines included) are monitoring developments with regard the new variants of SARS-CoV-2, the virus that causes COVID-19, in view of their increased transmissibility that could trigger a rapid rise in the number of cases. Countries continue to monitor the emergence of new COVID-19 variants given their potential to increase transmission and trigger renewed spikes in cases. While conditions have stabilized compared to the peak of the pandemic, the possibility of future surges and the re-imposition of public-health measures remains.

Any resurgence of existing diseases or the outbreak of new public health threats may adversely affect business activity, borrower repayment capacity, and overall market sentiment. These developments could, in turn, negatively impact the Bank's operations, asset quality, liquidity, and financial performance.

6.1.6 An increase in interest rates could decrease the value of the Bank's securities portfolio and raise the Bank's funding costs.

An increase in interest rates could lead to a decline in the value of securities in the Bank's portfolio and the Bank's ability to earn excess trading gains as revenue. A sustained increase in interest rates will also raise the Bank's funding costs without a proportionate increase in loan demand (if at all). Rising interest rates will therefore require the Bank to re-balance its assets and liabilities in order to minimize the risk of potential mismatches and maintain its profitability In addition, rising interest rate levels may adversely affect the economy in the Philippines and the financial position and repayment ability of its corporate and retail borrowers, including holders of credit cards, which in turn may lead to a deterioration of the Bank's credit portfolio in addition to lower levels of liquidity in the system which may lead to an increase in the cost of funding.

Moreover, the Bank realizes income from the margin between income earned on its interest-earning assets and interest paid on its interest-bearing liabilities. As some of its assets and liabilities are re-priced at different times, the Bank is vulnerable to fluctuations in market interest rates and any changes in the liquidity position of the Philippine market. As a result, volatility in interest rates could have a material adverse effect on the Bank's financial position, liquidity, and results of operations.

Domestic interest rates in the Philippines have remained manageable since 2009, reflecting a monetary policy aimed at stimulating economic growth. Since August 2024, the BSP has lowered the target reverse repurchase rate in several steps from 6.25% to 4.75% as of July 2026[3]; while the overnight deposit and lending facilities have been adjusted from 6.00% and 7.00% to 4.250% and 5.250%[4], respectively. While policy rates have fallen from 2024 peaks, the BSP has signaled that further easing will be limited and data-dependent.[5] Volatility in benchmark rates, and any divergence between market yields and administered deposit pricing, could affect the Bank's net interest margin, repricing gap and securities valuations.

In February 2025, BSP reduced the reserve requirement ratio by 2 percentage points, bringing it down to 5% for universal and commercial banks as well as non-bank financial institutions with quasi-banking functions. However, with economic activity rebounding and inflationary pressures building, interest rates may face upward pressure moving forward.[6]

Recent forecasts from the Bangko Sentral ng Pilipinas (BSP) indicate that while inflation has moderated, it remains a key concern for the Philippine economy. Based on latest available Monetary Policy Report as of June 2026, estimates of inflation within 2026 up to 2028 will likely settle well above the 3.0% target.[7]

With the reopening of the economy since the end of community quarantine and external factors such as the ongoing Russo-Ukrainian Conflict, (and its effects primarily on commodities such as crude oil and wheat), unrest in the Middle East, and rising tensions in the West Philippine Sea (South China Sea), inflationary pressures become apparent. Such metric is a key consideration of the BSP for adjusting its key policy rates.

The outbreak of hostilities between the Israeli-American forces and Iran has signaled the end of the BSP's rate cutting cycle[8]. Recent remarks from Governor Remolona have highlighted his concerns on the surge in oil prices and the potentially dire impact on EMEA-sourced Filipino OFW remittances - and the BSP's willingness to tighten monetary policy in the face of inflationary threats.

[3] https://www.bsp.gov.ph/Statistics/Financial%20System%20Accounts/BSPrates_rrp_data.aspx
[4] https://www.bsp.gov.ph/Statistics/Financial%20System%20Accounts/Table%2019.pdf?
[5] https://www.bsp.gov.ph/Price%20Stability/MonetaryPolicyReport/MonetaryPolicySummary_December2025.pdf
[6] https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=7434
[7] https://www.bsp.gov.ph/Price%20Stability/MonetaryPolicyReport/FullReport-June2026.pdf
[8] https://www.philstar.com/business/2026/03/07/2512506/oil-100-may-force-bsp-hike-interest-rates-/amp/

We expect the BSP to maintain its hawkish posturing in the lead-up to the 23 April 2026 Monetary Board meeting. We do not project a rate hike next month, however, given the tendency of central banks to look through these supply-driven inflation shocks.

Although we are sticking to the view of a short conflict given the logistical limitations of a prolonged engagement via airpower, ballistic missiles, and drone strikes - while reiterating our optimism for the eventual reopening of Hormuz amidst U.S. naval superiority - we remain wary of the medium-term inflation pressures from the supply chain disruption and the onset of second round effects in the event of a lengthy conflict.

Barring a rapid cessation of hostilities, a hawkish pause and eventual rate hikes appear likely in the next 3 to 6 months.

6.1.7 Natural or other catastrophes, including severe weather conditions, may adversely affect the Bank's business and materially disrupt the Bank's operations and result in losses not covered by its insurance.

The Philippines is subject to frequent natural catastrophes over the years, including typhoons, droughts, floods, volcanic activity, and earthquakes. In 2025, the Philippines experienced two major earthquakes that caused widespread infrastructure damage, business interruptions, and localized economic disruptions. These events highlighted the country's vulnerability to severe natural catastrophes.

Approximately twenty (20) tropical cyclones enter the Philippine Area of Responsibility yearly, an area which incorporates parts of the Pacific Ocean, West Philippines Sea (South China Sea) and the Philippine Archipelago (with the exception of Tawi-Tawi province). Among these cyclones, ten (10) will be typhoons, with five (5) having the potential to be destructive ones. The Philippines is "the most exposed country in the world to tropical storms" according to Time Magazine. In 2025, Typhoon Kalmaegi (locally "Tino") became one of the deadliest cyclones to strike the Philippines in recent memory, with the official death toll climbing to over 200 fatalities and more than 100 people reported missing.

There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Bank's operations. These factors, which are not within the Bank's control, could potentially have significant effects on the Bank's branches and operations. While the Bank carries insurance for certain catastrophic events, of types, in amounts and with deductibles that the Bank believes are in line with general industry practices in the Philippines, there are losses for which the Bank cannot obtain insurance at a reasonable cost or at all. The Bank also does not carry any business interruption insurance. Should an uninsured loss or a loss in excess of insured limits occur, the Bank could lose all or a portion of the capital invested in such business, as well as the anticipated future turnover, while remaining liable for any costs or other financial obligations related to the business. Any material uninsured loss could materially and adversely affect the Bank's business, financial condition and results of operations.

6.1.8 Corporate governance and disclosure standards in the Philippines may differ from those in more developed countries.

Although a principal objective of Philippine securities laws is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies, such as the Bank, than is regularly made available by public companies in the U.S. and other countries. As a result, public shareholders of the Bank may not have access to the same amount of information or have access to information in as timely of a manner as may be the case for companies listed in the U.S. and many other jurisdictions. Furthermore, although the Bank complies with the requirements of the SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions. For example, the Securities Regulation Code of the Philippines (Republic Act No. 8799) (the "SRC") requires the relevant entities to have at least two independent directors or such number of independent directors as is equal to 20.0% of the Board, whichever is the lower number. The Bank currently has five (5) independent directors. Many other jurisdictions may require more independent directors.

Moreover, corporate governance standards may be different for public companies listed on the Philippine securities markets than for securities markets in developed countries. Rules and policies against self-dealing and

regarding the preservation of shareholder interests may be less well-defined and enforced in the Philippines than elsewhere, putting shareholders at a potential disadvantage. Because of this, the directors of Philippine companies may be more likely to have interests that conflict with the interests of shareholders generally, which may result in them taking actions that are contrary to the interests of shareholders.

6.1.9 Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

Competing and overlapping territorial claims by the Philippines, China and several Southeast Asian nations (such as Vietnam, Brunei and Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflicts. China claims historic rights to nearly all of the West Philippine Sea (South China Sea) based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea ("**UNCLOS**"). In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the "nine-dash line" claim of China is invalid. The Philippine government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China. Since March 2021, however, increasing tension in the West Philippine Sea (South China Sea) has been triggered by the continued presence of Chinese vessels in the Philippines' exclusive economic zone. The Philippines has filed and continues to file diplomatic protests against China and has called on China to recall its ships in Philippine waters. The Philippine Navy has also deployed additional naval vessels to augment Philippine Coast Guard vessels protect the maritime territories of the Philippines.

In early August 2023, a Chinese coast guard ship used a water cannon against Philippine supply boats to prevent it from approaching Second Thomas Shoal in the Spratly Islands, where Filipino military personnel are stationed. The move, which was caught on video, outraged President Marcos, Jr. and prompted the Department of Foreign Affairs in Manila to summon the Chinese ambassador to convey a strongly worded protest. On September 2023, the Philippine coastguard removed a floating barrier at a disputed reef that was deployed by China to block Filipinos from the traditional fishing ground within the exclusive economic zone of the Philippines. In November 2023, a Chinese ship fired water cannons at M/L Kalayaan while the latter was on a resupply mission to troops stationed at BRP Sierra Madre in the Second Thomas Shoal. The Philippines also claimed that ships belonging to a Chinese maritime militia were involved in the harassment and that inflatable boats belonging to the Chinese coast guard were similarly involved. BRP Sierra Madre, a former US Navy ship, has been grounded in the contested Second Thomas Shoal (Ayungin Shoal to the Philippines and Ren'ai Reef to China) since 1999. The Philippine Embassy in Beijing has protested to the Chinese Foreign Ministry over the latest incident. In June 2024, clashes between the China Coast Guard and Philippine vessels during a resupply mission at Second Thomas Shoal resulted in injuries to Filipino personnel amid efforts to reinforce the grounded BRP Sierra Madre. In August 2025, an incident in the disputed South China Sea near Scarborough Shoal saw tensions escalate when a Chinese Coast Guard vessel and a People's Liberation Army Navy destroyer collided while pursuing a Philippine patrol vessel, the BRP Suluan, during a high-speed encounter; footage released by the Philippine Coast Guard showed the Chinese cutter sustaining extensive damage as both Chinese ships attempted to block the Filipino vessel.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

Any deterioration in the Philippine economy as a result of these or other factors, including a significant depreciation of the Philippine peso or increase in interest rate, may adversely affect consumer sentiment and lead to a reduction in consumer spending generally. This, in turn, could materially and adversely affect the Bank's financial condition and results of operations, and its ability to implement its business strategy and expansion plans.

6.2 CONSIDERATIONS RELATING TO THE PHILIPPINE BANKING INDUSTRY

6.2.1 The Philippine banking industry is highly competitive and increasing competition may result in declining margins in the Bank's principal businesses.

The Bank is subject to significant levels of competition from many other Philippine banks and branches of international banks, including competitors which in some instances have greater financial and other capital resources, a greater market share and greater brand name recognition than the Bank.

The recent mergers and consolidations in the banking industry, as well as the liberalization of foreign ownership regulations in banks, have allowed the emergence of foreign and bigger local banks in the market. For example, there has been increased foreign bank participation in the Philippines following the Monetary Board's lifting of the ban on granting of new licenses, as well as the amendment of banking laws with respect to the limit on the number of foreign banks. This has led to Sumitomo Mitsui Banking Corporation, Cathay United Bank, Industrial Bank of Korea, Shinhan Bank, Yuanta Bank and United Overseas Bank being granted new licenses, and also equity investments by Bank of Tokyo-Mitsubishi UFJ into Security Bank, Cathay Life into Rizal Commercial Banking Corporation and Woori Bank into Wealth Development Bank. In addition, the establishment of the ASEAN Economic Community in 2015 may enhance cross-border flows of financial services (in addition to goods, capital, and manpower) among member nations. This is expected to increase the level of competition both from Philippine banks and branches of international banks. This may impact the Philippine banks' operating margins, but this would also enhance the industry's overall efficiency, business opportunities and service delivery. As of 2025, according to data from the BSP, there are a total of 44 universal and commercial banks consisting of both domestic and foreign banks operating in the Philippines.

With the lifting of the BSP's moratorium on the grant of new digital bank licenses starting January 2025, [9] and four new digital bank slots available as of February 2026, competitive pressure on transactional deposits, payments ecosystems, and rate-sensitive funding may increase, potentially compressing spreads and raising customer acquisition costs.

In the future, the Bank may face increased competition from financial institutions offering a wider range of banking services and products, larger lending limits, greater financial resources and stronger balance sheets than the Bank. Increased competition may arise from:

- Other large Philippine banks and financial institutions with significant presence in Metro Manila and large country-wide branch networks;
- Full entry of foreign banks in the country through any of the following modes allowed under Republic Act No. 10641 or An Act Allowing the Full Entry of Foreign Banks in the Philippines, Amending for the Purpose Republic Act No. 7721 ("RA 10641") (approved on 15 July 2014): (a) the acquisition, purchase or ownership of up to 100% of the voting stock of an existing bank; (b) investment of up to 100% of the voting stock in a new banking subsidiary incorporated under Philippine law; or (c) establishment of branches with full banking authority;
- Foreign banks, due to, among other things, relaxed standards which permitted large foreign banks to open branch offices;
- Domestic banks entering into strategic alliances with foreign banks with significant financial and management resources, and in some cases resulting in excess capital that can be leverages for asset growth and market share gains; and

[9] https://www.bsp.gov.ph/Regulations/Published%20Issuances/Images/Circular_1205.pdf

- Continued consolidation and increased mergers and acquisitions in the banking sector involving domestic and foreign banks, driven in part by the gradual removal of foreign ownership restrictions.
- The growth of digital banking may intensify competition, with six licensed digital banks currently operating in the Philippines and the potential for up to ten digital banks following the lifting of the licensing moratorium by the BSP

There can be no assurance that the Bank will be able to compete effectively in the face of such increased competition. Increased competition may make it difficult for the Bank to continue to increase its loan portfolio and deposit base, as well as cause increased pricing competition, which could have a material adverse effect on its growth plans, margins, results of operations and financial condition.

6.2.2 The Philippine banking sector may face another downturn, which could materially and adversely affect the Bank.

The Philippine banking industry has demonstrated resilience and recovery from the global economic crisis supported by improving asset quality and sustained profitability. The gross non-performing loan (NPL) ratio stood at 3.29% as of 30 June 2026[10], reflecting stable credit conditions and prudent risk management across the banking system. The Philippine banking sector has likewise sustained strong profitability, with net profit increasing from ₱356.49 billion in 2023 to ₱403.1 billion in 2025, representing a year-on-year growth of approximately 3%.[11] As of the month-end of June 2026, the Philippine banking industry earned a combined net profit of P208.4 billion, increasing by 5% last year.[12] This positive trend has been supported by strong net interest income, improving asset quality, and lower provisions for credit losses on loans and other financial assets.

The Philippine banking industry may face significant financial and operating challenges. These challenges may include, among other things, a sharp increase in the level of NPLs, variations of asset and credit quality, significant compression in bank net interest margins, low loan growth and potential or actual undercapitalization of the banking system. New disruptions in the Philippine financial sector, or general economic conditions in the Philippines, may cause the Philippine banking sector in general, and the Bank in particular, to experience similar problems to those faced in the past, including substantial increases in NPLs, problems meeting capital adequacy requirements, liquidity problems and other challenges.

6.2.3 The Bank has to comply with strict regulations and guidelines issued by banking regulatory authorities and other authorities in the Philippines, such as the BSP, the Anti-Money Laundering Council ("AMLC"), the Philippine Deposit Insurance Corporation ("PDIC"), the Securities and Exchange Commission ("SEC"), and the BIR, and international bodies, including the Financial Action Task Force ("FATF").

The Bank's banking activities are regulated and supervised principally by, and have reporting obligations to, the BSP. The Bank is also subject to the banking, corporate, taxation and other regulations and laws in effect in the Philippines, administered by agencies such as the BIR, the SEC, the AMLC as well as international bodies such as the FATF.

In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control and added transparency in the Philippine banking sector. These rules include new guidelines on the monitoring and reporting of suspected money laundering activities as well as regulations governing the capital adequacy of banks in the Philippines. Institutions that are subject to Republic Act No. 9160 or the Anti-Money Laundering Act of 2001, as amended (the "AMLA"), are required to establish and record the identities of their clients based on official documents and identification of ultimate beneficial owners (UBOs) of corporate vehicles. In addition, all records of transactions

[10] https://www.bsp.gov.ph/Statistics/Selected%20Performance%20Indicators/7_data.aspx
[11] https://mb.com.ph/2026/02/20/philippine-banks-post-record-403-billion-profit-in-2025-on-strong-interest-fee-income
[12] https://business.inquirer.net/602440/ph-banks-post-record-q2-earnings-bsp

are required to be maintained and stored for a minimum of ten years from the date of a transaction. Records of closed accounts must also be kept for five (5) years after their closure.

The BSP has also ordered universal, commercial and thrift banks to conduct Real Estate Stress Tests to determine whether their capital is sufficient to absorb a severe shock. The Real Estate Stress Test Limit ("REST Limit") combines a macroprudential overlay of a severe stress test scenario, the principle of loss absorbency through minimum capital ratio thresholds and heightened supervisory response. Should a bank fail to comply with the prescribed REST Limits, it shall be directed to explain why its exposures do not warrant immediate remedial action. Should the same be found insufficient, the bank shall be required to submit an action plan to meet the REST Limits within a reasonable time frame. The latest regulation on the REST Limit, BSP Circular No. 1093, Series of 2020, provides that total real estate loans of universal banks and commercial banks shall not exceed 25% of the total loan portfolio of a bank, net of bank loans, excluding certain items listed in the relevant BSP regulations and the Manual. This percentage is an increase from the previous 20%.

In June 2016, the BSP implemented the Interest Rate Corridor ("IRC") which effectively narrowed the band among the BSP's key policy rates. The pricing benchmark, which used to be the Special Deposit Account ("SDA") prior to the IRC, is now replaced by the Overnight Deposit Facility ("ODF") whose rate at 3.75%, and forms the lower bound of the IRC. Meanwhile, the rate for the Overnight Lending Facility ("OLF") has replaced the Repurchase Facility ("RP"). The rate for the OLF, which forms the upper bound of the IRC, is now 4.75% under the RP. The IRC band is latest available from the BSP dated March 2026. The BSP likewise introduced the Term Deposit Facility ("TDF") to serve as the main tool for absorbing liquidity through weekly TDF auctions, the frequency for which may be changed depending on the BSP's liquidity forecasts. According to the BSP, the changes from IRC are purely operational in nature to allow it to conduct monetary policy effectively.

The BIR has also promulgated rules on the submission of an Alphabetical List ("**Alphalist**") of portfolio investors receiving income payments and dividends. The BIR requires all withholding agents to submit an Alphalist of payees on income payments subject to creditable and withholding taxes and prohibit the lumping into a single amount and account of various income payments and taxes withheld. The Supreme Court, however, issued a temporary restraining order against the said BIR rule on 9 September 2014 with regard to the lumping into a single amount.

On 3 March 2021, the AMLC issued the 2021 Sanction Guidelines incorporating amendments brought about by the enactment of Republic Act No. 11479 or the Anti-Terrorism Act of 2020 and Republic Act No. 11521 or An Act Further Strengthening the Anti-Money Laundering Law, amending for the Purpose Republic Act 9160, otherwise known as the Anti-Money Laundering Act of 2001, as amended. The guidelines now cover targeted financial sanctions related to terrorism, terrorism financing, and proliferation financing, including remedies and relevant links to the appropriate United Nations Security Council Sanctions Committee.

On September 18, 2025 the BSP issued Circular No 1218 that requires high value transactions above ₱500,000.00 (or its equivalent in foreign currency) must be conducted through traceable channels such as checks, online fund transfers, direct credit to deposit accounts, or digital payments. The same limit applies to cash transactions in equivalent foreign currencies. For withdrawals beyond this limit, BSP-Supervised Financial Institutions (BSFIs) must conduct enhanced due diligence (EDD) and, if warranted, file a suspicious transaction report. After completing EDD, BSFIs may still allow the larger payout if the customer provides additional documents or proof of a legitimate business purpose. The BSP also allows BSFIs to set even lower limits on large value cash transactions, based on their risk assessment and the customer's financial profile. On 27 February 2026, BSP issued Circular No. 1230 Series of 2026, which increased the EDD threshold to transactions exceeding ₱1 million for large value cash payouts or its equivalent in foreign currency.

Further, there is no assurance that the BSP or other Philippine regulators will not issue stricter or tighten regulations as a result of events affecting financial institutions in the Philippines, including the cyber heist of the Bangladesh Bank in 2016. In the event of any changes to the existing guidelines or rules, or introduction of additional

regulations, the Bank, as far as applicable, will have to comply with the same and may incur substantial compliance and monitoring costs. The Bank's failure to comply with current or future regulations and guidelines issued by regulatory authorities in the Philippines and in other relevant jurisdictions could have a material adverse effect on the Bank's business, financial condition and results of operations.

6.2.4 The Bank may experience difficulties due to the implementation of Basel III in the Philippines.

On 15 January 2009, the BSP issued Circular No. 639 covering the Internal Capital Adequacy Assessment Process ("**ICAAP**") which supplements the BSP's risk-based capital adequacy framework under BSP Circular No. 538. The BSP requires banks to have in place an ICAAP that (i) takes into account not just the credit, market and operational risks but also all other material risks to which a bank is exposed (such as interest rate risk in the banking book, liquidity risk, compliance risk, strategic/business risk and reputation risk); (ii) covers more precise assessments and quantification of certain risks (i.e., credit concentration risk); and (iii) evaluates the quality of capital. In 2011, the BSP issued BSP Circular 709, which aligns with the Basel Committee on Banking Supervision ("BCBS") on the eligibility criteria on Additional Group Concern Capital and Tier 2 Capital to determine eligibility of capital instruments to be issued by Philippine banks/quasi-banks as Hybrid Tier 1 Capital and Lower Tier 2 Capital. Further, in January 2013, the BSP issued Circular No. 781 as the Basel III Implementing Guidelines on Minimum Capital Requirements, which took effect in January 2014, highlights of which include:

- adopting a new categorization of the capital base;
- adopting eligibility criteria for each capital category that is not yet included in Circular 709;
- as applicable, allowing the BSP to adopt regulatory deductions in Basel III;
- keeping minimum CAR at 10%, and prescribing:
- a minimum Common Equity Tier 1 ("**CET1**") ratio of 6.0%;
- a minimum Tier 1 CAR ratio of 7.5%;
- an additional capital conservation buffer ("**CCB**") of 2.5%;
- revaluation of certain AFS securities and the impairments that could arise from trading losses;
- if the Bank is classified as "systemically important," it may be required to hold additional capital reserves;
- by 1 January 2014, rendering ineligible existing capital instruments as of 31 December 2010 that do not meet eligibility criteria for capital instruments under the revised capital framework;
- by 1 January 2016, rendering ineligible regulatory capital instruments issued under Circulars No. 709 and 716 before the revised capital framework became effective; and
- by subjecting covered banks and quasi-banks to the enhanced disclosure requirements pertaining to regulatory capital.

On 29 October 2014, the BSP issued Circular No. 856, or the "Implementing Guidelines on the Framework for Dealing with Domestic Systemically Important Banks ("**D-SIBs**") under Basel III" to address systemic risk and interconnectedness by identifying banks which are deemed systemically important within the domestic banking industry. Banks that will be identified as D-SIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and CCB. Identified D-SIBs will need to put up an additional 1.5 — 3.5% common equity Tier 1 depending on their classification. Compliance with this requirement was phased-in starting 1 January 2017, with full compliance required by 1 January 2019. Under Circular No. 1024 issued in January 2019, the BSP adopted the Basel III countercyclical capital buffer that required UBs and KBs to maintain a countercyclical capital buffer (CCyB) of zero percent (0%) subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant, with respect to the minimum Common Equity Tier (CET) 1 requirement. Furthermore, banks face new liquidity requirements under Basel III's new liquidity framework (which was recently amended by BSP Circular Nos. 1034 and 1035), namely, the Liquidity Coverage Ratio ("**LCR**") and the Net Stable Funding Ratio ("**NSFR**"). On 10 March 2016, the BSP issued Circular No. 905, or the "Implementation of Basel III Framework on Liquidity Standards -Liquidity Coverage Ratio and Disclosure Standards". The amendments introduced by BSP Circular No. 1035 provide enhancements to the LCR and Minimum Liquidity

Ratio ("**MLR**") guidelines. In the LCR framework, the previous treatment of reporting expected cash flows for each derivative contract in gross amounts has been revised. Under the new policy, cash inflows and outflows from each derivatives contract shall now be recognized on a net basis consistent with valuation methodologies for derivatives contracts and the Basel III LCR framework. Likewise, the method for computing the MLR for Stand-Alone Thrift Banks, Rural Banks, Cooperative Banks and Quasi-Banks was revised. The revised MLR computation converges with the LCR framework as interbank placements are now counted as eligible liquid assets. The LCR requires banks to hold sufficient level of high-quality liquid assets to enable them to withstand a 30 day-liquidity stress scenario, while the NSFR measures the ability of a bank to fund its liquidity needs over one year. Beginning 1 January 2018, the LCR threshold that banks will be required to meet will be 90% which will then be increased to 100% beginning 1 January 2019. During the observation period prior to 1 January 2018, banks are required to submit quarterly LCR reports for monitoring purposes. The observation period for LCR requirement for the subsidiary banks/quasi banks of universal and commercial banks was recently extended to 31 December 2019 by BSP Circular 1035 (Amendments to the Basel III Framework on Liquidity Coverage Ratio Framework and Minimum Liquidity Ratio Framework), during which the LCR floor of 70% will be applied. Meanwhile, the NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. The observation period for NSFR for the subsidiary banks/quasi banks of universal and commercial banks was recently extended to 31 December 2019 by BSP Circular 1034 (Amendments to the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio), during which the NSFR floor of 70% will be applied. Compliance with these ratios may also further increase competition among banks for deposits as well as high quality liquid assets.

These may result in an increase in the capital adequacy requirement of the Bank. Unless the Bank is able to access the necessary amount of additional capital, any incremental increase in the capital requirement due to the implementation of ICAAP and Basel III, may impact the Bank's ability to grow its business and may even require the Bank to withdraw from or to curtail some of its current business operations, which could materially and adversely affect the Bank's business, financial condition and results of operations. There can also be no assurance that the Bank will be able to raise adequate additional capital in the future at all or on terms favorable to it. In addition, the implementation of Basel III may require the Bank to divest itself of certain non-allied undertakings. If the Bank is forced to sell all or a portion of certain subsidiaries or associates, its business, financial condition or results of operations could be adversely affected. There can be no assurance that the Bank will be able to meet the requirements of Basel III as implemented by the BSP. In addition, the limitations or restrictions imposed by the BSP's implementation of Basel III could materially and adversely affect the Bank's business, financial condition and results of operations.

Whenever the capital accounts of a bank are deficient with respect to the prescribed risk-based CAR of 10%, the Monetary Board, may impose monetary and non-monetary sanctions. The Monetary Board will also prohibit opening of new branches whenever a bank's CAR falls below 12% on a non-consolidated and consolidated basis. Likewise, it will also prohibit the distribution of dividends whenever a bank's CET1 ratio and CAR falls below 8.5% and 10% respectively.

Based on latest available data as of the end of December 2025 from the BSP and under the Revised Basel III standards (Memorandum No. M-2013-056), the Philippine universal and commercial banking industry's capital adequacy ratio (CAR) was 16.2% on a consolidated basis and 15.8% on a solo basis[13]. As a comparison, the Bank's Tier 1 capital ratio and CAR were at 16.31% and 17.07%, respectively as of 30 June 2026.

On 04 May 2020, BSP issued Memorandum No. M-2020-039 which provides for the utilization of Basel III capital and liquidity buffers in light of the COVID-19 situation. A covered bank or QB which has built up its CCB and LCR buffer is allowed to utilize the same during the state of COVID-19 health emergency but is expected to integrate regulatory flexibilities into its internal policies and processes to ensure that these buffers are efficiently utilized. First, in relation to the CCB, the covered bank/QB which draws down 2.5% minimum.

[13] https://bworldonline.com/banking-finance/2026/05/08/748253/philippine-banking-sector-to-see-limited-direct-impact-from-war/

CCB will not be considered in breach of the Basel III risk-based capital adequacy framework. When the CCB is utilized, the covered bank/QB is restricted from making distributions in the form of dividends, profit remittance in the case of a foreign bank branch, share buybacks, discretionary payments on other Tier 1 capital instruments, or discretionary bonus payments to staff. Second, for the LCR, the covered bank/QB may draw on its stock of liquid assets to meet liquidity demands even if this may cause the bank to maintain an LCR below the 100% minimum requirement. However, a bank which has recorded a shortfall in the stock of its High-Quality Liquid Assets for three banking days within any two- week rolling calendar period, thereby causing the LCR to fall below 100%, must notify the BSP of such breach on the banking day immediately following the occurrence of the third liquidity shortfall. After the COVID-19 crisis, covered banks/QB are to be given a reasonable time period to restore their Basel III CCB and LCR. The Memorandum also provides that the noncompliance by a covered bank/QB with the minimum risk-based capital adequacy ratios and the minimum 100% NSFR as a result of the COVID-19 situation will be handled on a case-by-case basis by the BSP.

In addition, the BSP issued BSP Circular No. 855 (Series of 2014) regarding guidelines on sound credit risk management practices, including the amendment on loan loss provisions on loans secured by real estate mortgages. Under the new regulations, loans may be considered secured by collateral to the extent the estimated value of net proceeds at disposition of such collateral can be used without legal impediment to settle the principal and accrued interest of such loan, provided that such collateral has an established market and a sound valuation methodology. Under the new rules, the maximum collateral value for real estate collateral shall be 60% of the value of such collateral, as appraised by an appraiser acceptable to the BSP. While this maintains existing regulations already applicable to universal and commercial banks, the collateral value cap will be particularly relevant in securing directors, officers, stockholders and related interests ("**DOSRI**") transactions and in potentially accelerating the setting up of allowable loan for losses in case a loan account gets distressed.

The BSP also clarified that the collateral cap on real estate mortgages is not the same as a loan-to-value ("**LTV**") ratio limit. Even under the new rules, the minimum borrower equity requirement remains a bank-determined policy (which, according to the BSP, averages 20% under current industry practice). Under the enhanced guidelines of the BSP however, the bank's internal policy as to minimum borrower equity will be subject to closer regulatory scrutiny as to whether the borrower equity requirement of a bank is prudent given the risk profile of its target market.

Stricter lending and prudential regulations may reduce the lending appetite of the Bank or cause the Bank to alter its credit risk management systems, which may adversely affect the Bank's business, financial condition and results of operations.

On 13 December 2018, the Monetary Board approved the adoption of the Countercyclical Capital Buffer ("**CCyB**") intended for universal and commercial banks as well as their subsidiary banks and quasi-banks. The CCyB will be complied with by the banks using their Common Equity Tier 1 ("CET1") capital. During periods of stress, the Monetary Board can lower the CCyB requirement, effectively providing the affected banks with more risk capital to deploy. During periods of continuing expansion, the CCyB may be raised which has the effect of setting aside capital which can be used if difficult times ensue. The CCyB is set initially at a buffer of zero percent, which is line with global practice. The buffer, however, will be continuously reviewed by the BSP. Banks will be given a lead time of twelve (12) months in the event that the CCyB buffer is raised. However, when the buffer is reduced, it takes effect immediately.

Although intended to strengthen banks' capital positions and thwart potential asset bubbles, the new BSP and Monetary Board regulations will add pressure to local banks to meet these additional capital adequacy requirements, which may effectively create greater competition among local banks for deposits and temper bank lending in the commercial property and home mortgage loan sectors given that banks' ability to lend to these sectors depends on their exposure to the sector and the capital levels they maintain. This may also lead banks in the Philippines to conduct capital raising exercises. Through its compliance with these regulations, the Bank's business, financial position and results of operations may be adversely affected.

On 9 March 2020, the BSP issued Circular No. 1078, approving the adoption of guidelines on correspondent banking relationships. Banks that engage in correspondent banking, which is the provision of banking services by one bank to another bank, whose relationship can either be foreign or domestic, are required to adopt policies and procedures to prevent correspondent banking activities from being used in money laundering or terrorism financing activities and must designate an officer responsible for ensuring compliance with these regulations and the bank's policies and procedures. These required policies and procedures include risk assessment of the correspondent banking relationship and due diligence on the respondent bank. The BSP may deploy enforcement actions to promote adherence to these guidelines and bring about timely corrective action.

6.2.5 The Bank's provisioning policies in respect of classified loans require significant subjective determinations, which may increase the variation of application of such policies.

BSP regulations require that Philippine banks, including the Bank, classify NPLs based on four different categories corresponding to levels of risk: Loans Especially Mentioned, Substandard, Doubtful and Loss. Generally, classification depends on a combination of a number of qualitative as well as quantitative factors such as the number of months payment is in arrears, the type of loan, the terms of the loan and the level of collateral coverage. These requirements have in the past, and may in the future, be subject to change by the BSP. Periodic examination by the BSP of these classifications may also result in changes being made by the Bank to such classifications and to the factors relevant thereto. In addition, these requirements in certain circumstances may be less stringent than those applicable to banks in other countries and may result in particular loans being classified as non-performing later than would be required in such countries or being classified in a category reflecting a lower degree of risk.

The level of provisions currently recognized by the Bank in respect of their loan portfolios depends largely on the quality of the portfolio and estimated value of the collateral coverage for the portfolio. Although the Bank has a policy to test their loan portfolios for impairment on a quarterly basis in order to ensure adequacy of provisions as needed and in line with changing market conditions, the level of the Bank's provisions may not be adequate to cover increases in the amount of their NPLs, or any deterioration in the overall credit quality of the Bank's loan portfolios, including the value of the underlying collateral. In particular, the amount of the Bank's reported loan losses may be influenced by factors beyond their control. For instance, certain accounting standards have been adopted in the Philippines based on International Accounting Standards, which currently require the Bank's loan loss provisions to reflect the net present value of the cash flows of the loan and underlying collateral.

Based on latest data from the BSP, as of end-June 2026, the Philippine banking system had an outstanding loan, net of BSP Reverse Repurchase Arrangements (RRP), amounting to ₱14.88 trillion which increased by 17.4% from approximately ₱12.676 trillion in November 2024[14]. As of June 2026, the Philippine banking sector reported a 61.2% increase in bad debts written off, from ₱2.7 billion a year earlier to ₱4.4 billion, while recoveries on charged-off assets rose 5.5 percent to ₱14.1 billion, up from ₱13.3 billion in 2025.[15] By June 2026, the gross non-performing loan (NPL) ratio was 3.29%, with nominal bad loan values reaching approximately ₱584.94 billion.[16]

On 3 August 2020, Memorandum No. M-2020-061 was signed. This memorandum enjoined banks to adhere to the guidelines on credit risk management, besides being guided in the treatment of relief measures for the purposes of determining ECL, and treatment of relief measures granted by the BSP. The BSP said banks should have the same prudence in assessing the financial capacity of borrowers and in making credit decisions, under the credit risk management rules. Banks should be able to distinguish borrowers who are only facing temporary cash flow pressures from those with serious issues with their capacity to repay the loan. BSFIs are also expected to review the assumptions in their ECL models in view of the impact of the pandemic. BSFIs should use reasonable and supportable information about past events, current conditions, and the forecast of future conditions/and or outlook,

[14] https://bworldonline.com/top-stories/2026/07/31/767346/june-loan-growth-slows-to-four-month-low/
[15] https://mb.com.ph/2026/07/27/philippine-banks-hit-record-208-billion-profit-as-loan-margins-defy-bad-debt-surge
[16] https://bworldonline.com/top-stories/2026/07/27/765913/phl-banks-npl-ratio-slips-to-6-month-low/

without undue cost or effort. BSFIs should exercise prudent judgment in determining the qualitative and quantitative factors that should be considered in measuring ECL as well as in applying overlays or adjustments to the model.

Furthermore, the introduction of new accounting standards may result in the Bank recognizing significantly higher provisions for loan loss in the future. While the Bank believes its current level of provisions and collateral position are more than adequate to cover its NPL exposure, an unexpected or significant increase in NPL levels may result in the need for higher levels of provisions in the future.

6.2.6 Any future changes in PFRS Accounting Standards may affect the financial reporting of the Bank's business.

PFRS Accounting Standards continues to evolve as standards and interpretations promulgated effective 1 January 2026 and onwards come into effect.

In April 2024, the International Accounting Standards Board (IASB) issued the new accounting standard, IFRS 18, Presentation and Disclosure in Financial Statements. This will replace the existing PAS 1, Presentation of Financial Statements, standard that has been in use for many years. 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 statements and in the notes. It also introduces required disclosures about management-defined performance measures (MPMs). The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows. PFRS Accounting Standards 18 applies to an annual reporting period beginning on or after 1 January 2027.

The Bank believes that other amendments and improvement to PFRS Accounting Standards issued effective 1 January 2026 and onwards will not have material impact on the Bank's future financial statements.

6.2.7 The sovereign credit ratings of the Philippines may adversely affect the Bank's business.

The sovereign credit ratings of the Philippines directly affect companies that are resident and domiciled in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. In 2013, the Philippines earned investment grade status from all three major credit ratings agencies — Fitch (BBB-), Standard and Poor's (BBB-) and Moody's (Baa3). In 2014, S&P and Moody's upgraded their ratings to "BBB" and "Baa2" in May and December, respectively, with both agencies affirming these ratings in 2017. Fitch also upgraded the Philippines' long-term foreign currency issuer default rating from "BBB-" to "BBB" in December 2017, while S&P raised its outlook to Positive from Stable last April 2018. S&P further upgraded the country's rating by a notch from "BBB" to "BBB+" in April 2019 brought about by the country's solid economic fundamentals. Furthermore, the three (3) credit rating agencies affirmed their respective credit ratings of the country, S&P affirmed their "BBB+" ratings on after noting the economy's recovery in 2021, and expects it to accelerate in 2022. This rating was affirmed by S&P in November 2025 Moody's affirmed their "Baa2" rating with a stable outlook for the Philippines in 2020, saying the country's strong fiscal position in recent years will help shield it from the impact of the coronavirus crisis. Moody's reaffirmed this rating in August 2024. Fitch affirmed their "BBB" credit rating in 2022, but revised its credit outlook from stable to "negative" as of the 20th of April 2026 due to growing risks to the Philippines' medium-term growth prospects as a result of recent disruptions to public investment, worsened by increased exposure to the ongoing global energy shock.[17] Despite this, Malacañang clarified that the revision does not constitute a credit rating downgrade. Instead, it should be viewed as a cautionary signal, stressing that the country remains on solid economic footing.[18] This decision reflects the Philippines' robust medium-term growth prospects, resilient banking sector, and manageable government debt

[17] https://www.fitchratings.com/research/sovereigns/fitch-revises-philippines-outlook-to-negative-affirms-at-bbb-20-04-2026
[18] https://www.pna.gov.ph/articles/1273381

levels, balanced against structural challenges such as low government revenue generation and high public debt relative to its peers.

International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. As a result, the sovereign credit ratings of the Philippines directly affect companies that are resident in the Philippines, such as the Bank. There is no assurance that Fitch, Moody's, S&P or other international credit rating agencies will not downgrade the credit rating of the Philippines in the future. Any such downgrade could have a material adverse effect on liquidity in the Philippine financial markets and the ability of the Philippine government and Philippine companies, including the Bank, to raise additional financing, and will increase borrowing and other costs.

6.2.8 The Philippine banking industry is generally exposed to higher credit risks and greater market volatility than that of more developed countries.

Philippine banks are subject to the credit risk that Philippine borrowers may not make timely payment of principal and interest on loans and, in particular that, upon such failure to pay, Philippine banks may not be able to enforce the security interest they may have. The credit risk of Philippine borrowers is, in many instances, higher than that of borrowers in developed countries due to:

- The greater uncertainty associated with the Philippine regulatory, political, legal and economic environment;
- The vulnerability of the Philippine economy in general to a severe global downturn as it impacts on its export sector, employment in export-oriented industries, and OFW remittances
- The large foreign debt of the Government and the corporate sector, relative to the gross domestic product ("**GDP**") of the Philippines; and
- Volatility of interest rates and U.S. Dollar/Peso exchange rates.

Higher credit risk has a material adverse effect on the quality of loan portfolios and exposes Philippine banks, including the Bank, to more potential losses and higher risks than banks in more developed countries. In addition, higher credit risk generally increases the cost of capital for Philippine banks compared to their international counterparts. Such losses and higher capital costs arising from this higher credit risk may have a material adverse effect on the Bank's financial condition, liquidity and results of operations.

According to data from the BSP, the gross NPL ratio of the Philippine banking system as of the periods ended 30 June 2026, 31 December 2025, 31 December 2024, and 31 December 2023 was 3.29%, 3.07%, 3.27%, and 3.24% respectively.[19]

6.2.9 Philippine banks' ability to assess, monitor and manage risks inherent in its business differs from the standards of its counterparts in more developed countries.

Philippine banks are exposed to a variety of risks, including credit risk, market risk, portfolio risk, foreign exchange risk and operational risk. The effectiveness of their risk management is limited by the quality and timeliness of available data in the Philippines in relation to factors such as the credit history of proposed borrowers and the loan exposure borrowers have with other financial institutions. In addition, the information generated by different groups within each bank, including the Bank, may be incomplete or obsolete. The Bank may have developed credit screening standards in response to such inadequacies in quality of credit information that are different from, or inferior to, the standards used by its international competitors. As a result, the Bank's ability to assess, monitor and manage risks inherent in its business would not meet the standards of its counterparts in more developed countries. If the Bank is unable to acquire or develop in the future the technology, skills set and systems available to meet such standards, it could have a material adverse effect on the Bank's ability to manage these risks and on the Bank's financial condition, liquidity and results of operations.

However, BSP's early adoption of Basel III on 1 January 2014 a year ahead of the Basel Committee on Banking Supervision's recommended implementation timeline as well as the imposition of higher limits and

[19] https://www.bsp.gov.ph/sites/FIS/SitePages/Past-Due-and-NPL.aspx?web=1

stricter minimum requirements for regulatory capital relative to international standards, with no transition period, are seen as efforts to boost the Philippine banking industry's resiliency and enhance its ability to absorb risks. In addition, the BSP has been prudent and conservative in setting the minimum reserve requirement compared to other regulators in the region, with a minimum reserve requirement for Peso deposit balances of 17% to be held with the BSP by 31 May 2019, 16.5% by 28 June 2019, 16% by 26 July 2019, 15% by 1 November 2019, 14% by 6 December 2019, and 5% by 21 February 2025 [20](compared to, for example, Indonesia, where the minimum local currency reserve requirement is 6.5% of local currency deposit balances).

6.3 CONSIDERATIONS RELATING TO THE BANK

6.3.1 Uncertainties and instability in global market conditions could adversely affect the Bank's business, financial condition, and results of operations.

Ongoing global economic and political instability may cause continued market dislocation and turbulence. This volatility affects capital markets globally, including Asia, potentially impacting investor risk appetite and capital flows into emerging markets like the Philippines, as well as the price of the Bank's common shares.

Russia's invasion of Ukraine on February 24, 2022 triggered significant humanitarian issues and destruction of infrastructure. In response, major global players, including European nations, the US, Australia, and some Asian countries, imposed substantial economic and financial sanctions on Russia to disrupt funding for the war. These actions have led to trade disruptions and tensions among member nations, particularly in Europe and the US, due to dependency on Russian oil and gas exports. The conflict has also raised global oil and gas prices, impacting economies worldwide. Additionally, trade disruptions with Ukraine, a major exporter of wheat and sunflower oil, have exacerbated hunger and inflation concerns in certain regions. The banning of some Russian banks from the SWIFT system further complicated international business transactions. The long-term economic consequences of the war remain uncertain. In 2025, Russia's invasion of Ukraine continued, causing further civilian casualties, infrastructure destruction, and economic disruption, while Western sanctions persisted and peace talks would begin in early 2026.

In October 2023, Hamas conducted significant military operations within Israeli territory, resulting in casualties and property damage. In response, the Israeli government initiated a series of counter-attacks aimed at Gaza with the objective of implementing a complete siege of the region. Various foreign governments, including the United States, have voiced their support for Israel and committed to providing military assistance. Conversely, Arabic nations have denounced Israel's actions against Palestinians and are actively organizing anti-Israel protests. Hostilities between Iran and Israel also gradually re-escalated in 2024, with April seeing the launch by Iran of a barrage of more than 300 drones and missiles at Israel, although nearly all the weapons were shot down by Israel and its allies. Israel retaliated with a strike on a military air base in central Iran. In 2025, hostilities between Israel and Hamas resumed intermittently, resulting in civilian casualties, infrastructure damage in Gaza, and ongoing regional tensions, despite temporary ceasefires and international diplomatic efforts.

The return of U.S. President Donald Trump in 2025 has introduced renewed uncertainty in global markets, particularly with respect to trade policy, tariff regimes, and geopolitical alignments. Shifts in U.S. economic and foreign policy have contributed to heightened volatility in interest rates, currency movements, and capital flows, which may negatively affect investor sentiment and cross-border activity. These developments could, in turn, adversely impact the Bank's funding costs, asset quality, and overall financial performance.

Recent developments in the Middle East have further heightened geopolitical uncertainty. In late February 2026, the United States and Israel conducted coordinated military strikes on multiple sites in Iran, targeting its leadership, nuclear and ballistic missile programme and armed forces. This has resulted to the killing of Ayatollah Ali Khamenei and other Iranian officials, as well as the targeting of Iranian oil depots. Iran subsequently launched missile and drone attacks against Israeli targets and against United States and allied assets across several locations

[20] https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=7434

in the region (Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates). The recent conflict has expanded into the Gulf region and now includes Lebanon and Iraq. These events have heightened concerns regarding a broader regional conflict and have contributed to increased volatility in global energy markets and financial markets. The trajectory and duration of these hostilities remain uncertain, and further escalation could adversely affect global economic stability, investor sentiment, and capital flows into emerging markets, including the Philippines, which could in turn adversely affect the Bank's business, financial condition, and results of operations.

There is no guarantee that the prevailing uncertainties in global markets will not adversely impact credit markets in Asia, including the Philippines. The Bank's banking business success hinges greatly on its ability to uphold specified minimum liquidity thresholds. Any escalation in market interest rates could substantially affect the Bank's liquidity levels, potentially necessitating a reduction or cessation of specific banking and financial services. These shifts may also impact trade volumes, potentially posing adverse effects on the Philippines.

6.3.2 Interest rate volatility could significantly affect the Bank's financial condition and results of operations.

The Philippine monetary policy may be influenced by both global and local headwinds, particularly signaling the BSP of a maintenance, or even an increase, of the policy interest rate. US President Trump's tariffs continue to plague not just the Philippines, but also multiple countries around the world. Tariffs raise import prices, which are typically passed down to consumers, and put upward pressure on inflation. This signals the BSP to hold, or even hike, interest rates. Meanwhile, traffic at the Strait of Hormuz remains low as the US-Iran war surges, interrupting the global oil supply chain. This artificially raises oil prices which, again, translates to inflation and possible rate holds or hikes.

On the local setting, the Philippines faces an economic slowdown mainly attributed to the flood control scandal. Investor confidence dwindled, causing the exit of capital from the country and eventually contributing to the lower economic growth. Additionally, congress decided on lower government spending upon the discovery of the scandal, reinforcing the downward pressure on the Philippine economy. Minimum wage hikes were also announced, while unemployment rate slightly increased as of June 2026, strengthening the outlook of a BSP rate hold or hike.

In addition to its potential adverse effects on the country, significant volatility in domestic interest rates could adversely affect the Bank's net interest margins, funding costs, and the value of its financial assets. Significant increases in interest rates may also increase borrowers' debt-servicing costs, potentially resulting in higher credit losses and provisions. These factors could adversely affect the Bank's financial condition and ability to conduct its banking and financial services.

6.3.3 The Bank's business is highly regulated and government policies could adversely affect the Bank's operations and profitability.

The Bank is regulated principally by, and has reporting obligations to, the BSP. The Bank is also subject to banking, corporate and other laws in effect in the Philippines from time to time. The regulatory and legal framework governing it differs in certain material respects from that in effect in other jurisdictions and may continue to change as the Philippine economy and commercial and financial markets evolve. For example, the BSP generally prohibits any bank from maintaining financial exposure to any single person or group of connected persons in excess of 25.0% of its qualifying capital, except with respect to certain exemptions per BSP which includes those exposures to Government- related entities and transactions that are guaranteed by the Government. The Government has also imposed an agrarian reform and agriculture lending policy requiring Philippine banks to extend certain loan amounts to agrarian beneficiaries and the agricultural sectors of the country. Failure to meet the specified level of loans may result in fines being assessed against a non-compliant bank. There can be no assurance that these fines will not be substantially increased, which may have an adverse impact on its results of operations.

Also, during the normal course of operations, the Bank may be subject to routine or special audits by regulators such as the Bureau of Internal Revenue ("**BIR**"), the Anti-Money Laundering Council ("**AMLC**"), Securities Exchange Commission ("**SEC**") and international bodies, such as the Financial Action Task Force (the "**FATF**"). Any adverse findings resulting therefrom may lead to an assessment of additional liabilities and administrative proceedings, where warranted, or result in fines and penalties, or may materially impact the financial position of the Bank.

There can be no assurance that the outcome or results of these proceedings will not materially impact the Bank. In addition, there can be no assurance that the provisions made for the potential losses relating to these proceedings will be sufficient to cover any potential liabilities, the amounts of which can only be determined upon completion of due process.

In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control and more transparency in the Philippine banking sector. These rules include new guidelines on the monitoring and reporting of suspected money laundering activities as well as regulations governing the capital adequacy of banks in the Philippines. The BSP also regulates banks' open foreign exchange position (either overbought or oversold), which refers to the extent that bank's foreign exchange assets do not match their foreign exchange liabilities. The legal limit with respect to such positions shall be the lower of 20% of a bank's unimpaired capital or US$50 million. As of 30 June 2026, the Bank's consolidated net open FX position was US$ 7.421 million. If additional rules or regulations are introduced, the Bank may incur substantial compliance and monitoring costs. If it is unable to comply with existing and new rules and regulations applicable to it, it could incur penalties, face disruptions to its operations and face reputational damage, which could materially and adversely affect its business, financial condition and results of operations.

The BSP issued Memorandum No. M-2021-026 last 26 April 2021 as additional operational relief measures and increased the SBL from 25% to 30% effective until 31 December 2021 pursuant to national interest. The relief was extended pursuant to BSP Memorandum No. M-2022-004 issued on 17 January 2022 until 31 December 2022. Based on the Bank's monitoring of the Single Borrower's Limit (SBL) set by the BSP, the Bank is in compliance with the 25% single borrower's limit as of 30 June 2026.

The Bank believes, to the best of its knowledge, that it has, at all relevant times, materially complied with all applicable laws, rules and regulations and has established a strong compliance culture to ensure that all requirements, permits, and approvals are obtained in a timely manner.

6.3.4 The Bank is subject to credit, market, operational and liquidity risk which may have an adverse effect on its credit ratings and its cost of funds.

The Bank uses various strategies to manage its exposure to credit, market, operational and liquidity risk. In an event where these strategies are not effective, it may not be able to mitigate effectively its risk exposures, in particular to market environments or against particular types of risk. Its balance sheet growth will be dependent upon economic conditions, as well as upon its determination to securitize, sell, purchase or syndicate particular loans or loan portfolios. Its trading revenues and interest rate risk exposure are dependent upon its ability to properly identify and mark to market the changes in the value of financial instruments caused by changes in market prices or rates. Its earnings are dependent upon the effectiveness of its management of migrations in credit quality and risk concentrations, the accuracy of its valuation models and its critical accounting estimates and the adequacy of its allowances for credit losses. To the extent its assessments, assumptions or estimates prove inaccurate or not predictive of actual results, it could suffer higher than anticipated losses. The successful management of credit, market and operational risk is an important consideration in managing its liquidity risk because it affects the evaluation of its credit ratings by rating agencies. A failure by the Bank to effectively manage its credit, market, operational and liquidity risk could have a negative effect on its business, financial condition and results of operations.

The Bank believes this risk can be managed through the Bank's strengths and strategies, including prudent balance sheet management, to manage credit, market, operational and liquidity risk of the business.

6.3.5 The Bank may not be successful in implementing its growth strategies.

The Bank's business strategy includes growth through organic expansion and through potential acquisitions. It plans to increase its geographic footprint in select growth areas, while expanding the range of its products and services targeting the mid-sized corporate and retail segments. Expanding its reach and increasing the number of financial products and services that it offers expose it to a number of risks and challenges including, among others, the following:

- The Bank investments in technology may not achieve the same growth in customers as opening new branches;
- New and expanded business activities may require greater marketing and compliance costs than its traditional services;
- New and expanded business activities may have less growth or profit potential than it anticipates and there can be no assurance that new business activities will become profitable at the level it desires or at all;
- The Bank may fail to identify and offer attractive new services in a timely fashion, putting it at a disadvantage to competitors;
- The Bank's competitors may have substantially greater experience and resources for the new and expanded business activities and thus it may not be able to attract customers from its competitors;
- The Bank may need to further enhance the capability of its information technology systems to support a broader range of activities; and
- Economic conditions, such as rising interest rates or inflation, could hinder its expansion, particularly in the consumer loan industry

The Bank also intends to grow its interest-earning assets, which by nature are risky, to improve its return on assets and capital. Failure by the Bank to expand its earning asset base could have a material adverse effect on its financial performance.

In addition, new business endeavors require knowledge and expertise which differ from those used in the current business operations of the Bank, including different management skills, risk management procedures, guidelines and systems, credit appraisal, monitoring and recovery systems. The Bank may not be successful in developing such knowledge and expertise. Furthermore, managing such growth and expansion requires significant managerial, financial and operational resources, which the Bank may not be able to procure on a timely basis or at all. Its inability to successfully implement its growth strategies could have a material adverse effect on its business, financial condition, and results of operations.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on Section 8.5 and Strategies on Section 8.6 of the Offering Circular. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

6.3.6 An inability to manage the Bank's growth could disrupt its business and reduce its profitability.

The Bank has experienced high growth in recent years and expects its business to grow significantly as a result of its expansion plans. It expects this growth to place significant demands on its resources, operations and management, and require it to continuously evolve and improve its operational, financial and internal controls across the organization. In particular, continued expansion increases the exposure to certain additional risks, including:

- Difficulties raising capital for expansion in light of financial market disruptions, which might increase leverage if equity funds are not available when needed;
- Difficulties arising from operating a significantly larger and more complex organization and expanding

into new geographic areas and territories;

- Difficulties in the assimilation and seamless integration of the assets and operations of the expanded operations with the existing business;
- The diversion of management's attention;
- The failure to realize expected profitability or growth in new ventures;
- The failure to realize expected synergies and cost savings;
- Difficulties arising from coordinating and consolidating corporate and administrative functions, including integration of internal controls and procedures;
- Changes in technology;
- Unforeseen legal, regulatory, contractual, labor or other issues;
- An inability to attract new talent due to limited resources in the market; and
- Increased pressure on operating expenses in the near term.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on Section 8.5 and Strategies on Section 8.6 of the Offering Circular. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

6.3.7 The Bank is exposed to significant credit risk and potential increases in NPLs.

The business of lending carries the risk of default by borrowers and the Bank may face increasing levels of NPLs and provisions for impairment and credit losses on loans. Any lending activity is exposed to credit risk arising from the risk of default by borrowers. The Bank's results of operations may be negatively affected by the level of its NPLs. The Bank's total NPLs were ₱1,961,811,878, ₱1,694,290,396 and ₱2,220,465,505, and ₱ 2,236,583,808 as of 31 December 2023, 2024, 2025, and 30 June 2026, respectively. A number of factors affect the Bank's ability to control and reduce its NPLs, such as volatile economic conditions in the Philippines, which may adversely affect many of the Bank's customers, and may cause uncertainty regarding their ability to fulfil their loan obligations, and in effect increase its exposure to credit risk. In addition, the Bank is seeking to grow its business, particularly its earnings asset base, which would likely entail extending more loans to customers. The Bank also focuses its lending business on the mid-market corporate and retail consumer segment, which may have a higher risk of default than other segments. While it believes that it has more than adequate loan provisions, these and other factors could result in an increased number of NPLs in the future and may require it to book additional provisions for impairment and credit losses on loans. While it regularly monitors its NPL levels and has strict credit processes in place, there can be no assurance that it will be successful in reducing its NPL levels or that the percentage of NPLs that it will be able to recover will be similar to its historical recovery rates or that the overall quality of its loan portfolio will not deteriorate in the future. If it is not able to control and reduce its NPLs or recover expected amounts from NPLs, if the quality of collateral is lower than estimated or if there is a significant increase in its provisions for loan losses, the Bank's operating costs, business, financial condition, results of operations and capital adequacy could be adversely affected.

6.3.8 Increased exposure to consumer debt could result in increased delinquencies in the Bank's loan portfolios.

The Bank has expanded its consumer loan operations, including unsecured salary loans and credit cards, and plans to continue to expand its consumer loan business in the near future. Such expansions increase its exposure to consumer debt and changes in general economic conditions affecting Philippine consumers. Accordingly, economic difficulties in the Philippines that have a significant adverse effect on Philippine consumers could result in reduced growth and deterioration in the credit quality of its personal loan portfolios. For example, a rise in unemployment or an increase in interest rates could have an adverse impact on the ability of borrowers to make payments and increase the likelihood of potential defaults, while reducing demand for consumer loans. In addition, the number of loan accounts may be negatively affected by declines in household income, public concerns about unemployment or other negative macroeconomic factors. Moreover, because it sometimes offers consumer loan products to OFWs, the consumer loan portfolio maybe affected by changes in the economic

conditions of the host countries of OFW customers, which could result in delays or defaults in monthly payments. The Bank's growth strategy results in significant increases in exposures to consumer loans, the effects of adverse changes in the economic environment on its financial condition and results of operations could be exacerbated, resulting in significant losses.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on Section 8.5 and Strategies on Section 8.6 of the Offering Circular. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

6.3.9 The Bank's allowance for impairment and credit losses may be insufficient to cover future losses and to the extent the Bank increases such allowances, its financial performance will be adversely affected.

The Bank uses the expected credit loss model provisioning as the basis for allowance for impairment. Its actual loan losses could prove to be materially different from its estimates and could materially exceed its recorded allowance for impairment and credit losses. If the Bank's actual loan losses are higher than it currently expects, its current allowance for impairment and credit losses would be insufficient. If general economic conditions in the Philippines deteriorate, causing it to change some of its assumptions and estimates, or if it is adversely affected by other factors to an extent worse than anticipated, it may have to provide an additional allowance for impairment and credit losses. If it must make additional provisions for losses it could adversely affect its business, financial condition and results of operations.

The Bank's provisioning policies in respect of classified loans require significant subjective determinations which may increase the variation of application of such policies and affect its financial condition and results of operations. Such policies may also be less stringent than those in other countries.

Regulations of the BSP require that Philippine banks classify loans that have a greater-than-normal risk into four (4) different categories corresponding to various levels of credit risk as follows: loans especially mentioned, substandard, doubtful and loss. In addition, the BSP requires banks to have in place a formal internal credit risk rating system for the underwriting and ongoing administration of corporate credit risk exposures. A bank's internal credit risk rating system must have a minimum of six (6) rating grades for unclassified accounts. Generally, the classification of loans depends on a combination of a number of qualitative and quantitative factors, such as the number of months that payment is in arrears, the type of loan, the terms of the loan and the level of collateral coverage. In compliance with these requirements, the Bank adopted its Internal Credit Risk Rating System in 2005 and continues to apply said rating system in granting all commercial loans. However, the BSP requirements regarding internal credit risk rating systems may change. Periodic examination by the BSP of these classifications in the future may also result in changes being made by the Bank to such classifications and to the factors relevant thereto.

With the implementation of PFRS Accounting Standards 9 starting January 2018, banks are required to have an Expected Credit Loss ("**ECL**") model as the basis for allowance for impairment. The development of an ECL model may vary from bank to bank depending on a bank's portfolio mix and geographic footprint. Furthermore, considering early stages of implementation, models may change as banks are required to monitor and validate these models on a regular basis.

To mitigate this risk the Bank ensures close coordination with its external auditors and full compliance with PFRS Accounting Standards.

6.3.10 The Bank's trading activities are subject to volatility and the Bank is diversifying away from the business.

The Bank engages in trading activities, primarily maintaining proprietary trading positions in Philippine and foreign government securities and some corporate debt securities. In the past, its gains from treasury operations have contributed significantly to its operating income and the contribution has been decreasing in recent years. Trading and securities gain/(loss) and foreign exchange gain/(loss) contributed ₱ 152, ₱ 127, ₱ 348, and ₱ 109 (in millions) of total operating income for the years ended 31 December 2023, 2024, 2025, and period ended 30 June 2026 respectively. Its trading gains are inherently volatile as trading securities and currencies are subject to economic, political and other conditions that may fluctuate from time to time. There can be no assurance that, in the future, the Bank will be able to realize an amount of trading gains that is similar to the gains it realized

historically, that it will not incur a loss from such trading or that it will not hold on to its trading and investment securities to realize interest income, any or all of which could have a material adverse effect on the Bank's future net income. As a result of this volatility, the Bank has been proactively decreasing its dependence on trading activities while remaining to be opportunistic. With an increased number of branches and growth of the loan portfolio, the Bank's trading income is likely to become a smaller part of the Bank's operating income in the future. Risks arising both from its trading and investment strategy and general market volatility, which are beyond its control, could expose the Bank to potential losses and may materially and adversely affect its business, financial condition and results of operations.

6.3.11 The Bank may be unable to recover the assessed value of its collateral when its borrowers default on their obligations, which may expose it to significant losses.

As of 30 June 2026, the Bank's secured loans receivable represented 42.7% of its gross loans (receivables from customers), and 10.1% of the collateral on these secured loans consisted of real estate properties This portfolio of secured real estate properties gives the Bank's significant exposure to the Philippine property market and provides it with holdings in repossessed and other properties acquired ("**ROPA**"). The recorded values of the Bank's collateral may not accurately reflect its liquidation value, which is the maximum amount it is likely to recover from a sale of collateral, less expenses of such sale. The Bank periodically disposes of its ROPA and other collateral in public auctions and through negotiated sales at prevailing market prices, which are largely determined by purchasers. The Philippine property market is highly cyclical, and property prices in general have been volatile. There can be no assurance that the realized value of the collateral would be adequate to cover the Bank's loans. An economic downturn, in particular, a downturn in the real estate market, could result in a fall in relevant collateral values for the Bank. Some of the valuations in respect of its collateral may also be out of date or may not accurately reflect the value of the collateral. There are no assurances that the Bank will be able to easily liquidate these ROPA in the future or any liquidation of ROPA will result in gains rather than losses. In certain instances, where there are no purchasers for a particular type of collateral, there may be significant difficulties in disposing of such collateral at a reasonable price. Any decline in the value of the collateral securing the Bank's loans, including with respect to any future collateral taken by it, would mean that its provisions for impairment and credit losses may be inadequate and it may need to increase such provisions. There can be no assurance that the collateral securing any particular loan will protect it from suffering a partial or complete loss if the loan becomes non-performing. Any increase in the Bank's provisions for impairment and credit losses would adversely affect its business, its financial condition, results of operations and capital adequacy ratio.

In addition, the Bank may not be able to recover in full the value of any collateral or enforce any guarantee due, in part, to difficulties and delays involved in enforcing such obligations through the Philippine legal system. To foreclose on collateral or enforce a guarantee, banks in the Philippines are required to follow certain procedures specified by Philippine law. These procedures are subject to administrative and bankruptcy law requirements which may be more burdensome than in certain other jurisdictions. The resulting delays can last several years and lead to the deterioration in the physical condition and market value of the collateral, particularly where the collateral is in the form of inventory or receivables. In addition, such collateral may not be insured. These factors have exposed, and may continue to expose, the Bank to legal liability while in possession of the collateral. These factors may also significantly reduce its ability to realize the value of its collateral and therefore the effectiveness of taking security for the loans it grants. Furthermore, it may incur expenses to maintain such properties and prevent their deterioration. In realizing cash value for such properties, it may incur further expenses such as legal fees and taxes.

PAS 16, Property, Plant and Equipment, allows the use of revaluation model or cost model in accounting for property, plant and equipment. PAS 40, Investment Property, allows the use of either fair value model or cost model in accounting for investment property. However, the BSP requires the use of cost model for statutory and prudential reporting purposes. In a May 2019 letter, the BSP commented on the Bank's use of the fair value model in its 2018 Audited Financial Statements (AFS). The Bank explained that it believed the fair value model presented the most reliable and relevant information for its investors. The Bank also mentioned that it had been using the model since 2014 as disclosed to the BSP in its annual reports and examinations since that year. After separate meetings of BSP with management, on 10 June 2019, the BSP reiterated its position that the Bank should

use the "cost model" for both its AFS and prudential reports. Furthermore, BSP Circular 494 stated that buildings and non-financial assets shall be depreciated over a period not exceeding ten (10) years and three (3) years, respectively.

Accordingly, on October 1, 2019, the Bank retrospectively changed its accounting policy on property and equipment and investment properties and applied to these financial statements for the annual period ending December 31, 2019. It is important to note, however, that the deficit amounts mentioned above did not result from the Bank's operating activities but are substantially attributable to the full recognition of impairment losses for Trader's Royal Bank (TRB) assets in 2014. For statutory and prudential reporting, such impairment losses relating to the TRB assets purchased by the Bank on 9 November 2001 were being recognized on a staggered basis as allowed by Monetary Board Resolution No. 619. But in 2014, to align with PFRS Accounting Standards and sound financial management, the Bank had chosen to fully recognize the ₱2.46 billion remaining impairment losses as at 31 December 2014. On January 26, 2021, the BOD approved the plan for equity restructuring to wipe out the deficit through the use of the Bank's Paid-in Surplus.

6.3.12 The Bank has significant credit exposure to certain borrowers and industries. Deterioration in the performance of any of these industry sectors or the non-performance of a substantial portion of these loans could adversely impact the asset quality of its loan portfolio and business.

The Bank has credit exposure to various industry sectors. As of 30 June 2026, its total exposure to borrowers (or outstanding loans and receivables) was ₱153.56 billion. The ten largest performing borrowers in aggregate accounted for 38.12% of its gross loan portfolio as of 30 June 2026. The BSP generally prohibits any bank from maintaining a financial exposure to any single person or group, excluding Government-related entities, of connected persons in excess of 30% of its qualifying capital. In determining whether it meets the single borrower limit of the BSP, it includes exposures to related accounts (including accounts of subsidiaries and parent companies of the borrower). Its largest corporate borrower as of 30 June 2026 accounted for 4.91% of its gross loan portfolio. Credit losses on these large single borrower and group exposures could adversely affect the business, financial position and results of operation of the Bank.

As of 30 June 2026, its five (5) largest industry exposures were to (1) Electricity, gas, steam and air-conditioning supply at 29.2%, (2) Real Estate at 16.4 %, (3) Construction at 11.1%, (4) Manufacturing at 8.8%, and (5) Financial and insurance activities at 6.3%, which together comprised an aggregate of ₱109,854 (in millions) and constituted 71.88% of its gross loans. The global and domestic trends in these industries will therefore affect its financial position. Any significant deterioration in the performance of a particular sector, driven by events outside its control, such as regulatory action or policy announcements by the Government or the general condition of the domestic and global economies, would adversely impact the ability of borrowers in that industry to service their debt obligations to the Bank, and in turn would adversely affect its business and results of operations.

6.3.13 The Bank relies principally on short-term deposits for its funding needs.

The Bank's funding needs are principally satisfied from demand, savings and time deposits, and to a smaller extent, borrowings from other banks and unsecured unsubordinated debt. As of 30 June 2026, ₱223,637 (in millions) of the Bank's funding needs were sourced from deposits and the remaining ₱27,499 (in millions) from bonds payable, other liabilities, manager's checks, financial liabilities at FVPL, and accrued Expenses.

Although its deposits have historically been a stable source of funding for the Group, no assurance can be given that this will continue to be the case in the future. In the event a substantial number of its depositors withdraw, or do not roll over their deposits, or if other banks do not lend short term funds to the Bank as they have in the past, its liquidity position could be adversely affected, which could result in its inability to fund its loan portfolio and may require the Bank to seek alternative sources of funding. It can provide no assurance as to the availability or terms of such funding. To the extent it is unable to obtain sufficient funding on acceptable terms or at all, the Bank's liquidity and financial condition and results of operations will be adversely affected.

6.3.14 The Bank's dependency on SMC ecosystem

As of 30 June 2026, loans to the SMC ecosystem account less than 11.45% of the Bank's loan portfolio. The Bank's exposure to the SMC ecosystem is monitored on a regular basis. On top of this, performance of stress testing is done to assess the Bank's capacity to absorb potential negative impact from these exposures. Stress test results show that a significant deterioration of the SMC ecosystem accounts can be absorbed by the Bank while still meeting its capital adequacy requirements. Exposures coming from each entity included in the SMC ecosystem are also evaluated to ensure that risks are managed appropriately.

6.3.15 The Bank may not be able to match the technology of its competitors.

The Bank is heavily reliant on technology in certain business operations and uses technology to differentiate its products and services from those of its competitors. While the Bank aims to remain at the forefront of technology banking in the Philippines, there are no significant barriers that prevent its competitors from adopting a similar strategy for their products and services. Accordingly, there can be no assurance that it will be able to maintain its technological advantage over its competitors. Furthermore, it may need to incur a significant amount of research and development and/or capital expenditures to maintain its technological advantage. Failure to maintain its technological advantage or its brand image may have a material adverse impact on its fee-based revenue and its ability to attract new deposits from affluent retail and corporate customers, which in turn may lead to an increase in costs of funding and a loss of business and result in a material adverse effect on its business, financial condition and results of operations.

Moreover, the banks compete with expanding financial technology (fintech) solutions covering (i) mobile payment or e-wallet applications such as but not limited to GCash and PayMaya and (ii) peer-to-peer lending platforms, among others. The trend of increasing usage of these digital solutions has been accelerated by the lockdowns and movement restrictions brought about by the COVID-19 pandemic. In addition, with the objective of achieving an efficient, inclusive, safe, and secure digital payments ecosystem, the BSP launched its Digital Payments Transformation Roadmap for 2020 - 2023 which led to the setup of a digital banking framework recognizing digital banks as a separate category and indicating the requirements for establishing a digital bank.

BankCom is leveraging its institutional strengths while executing a deliberate digital modernization strategy. We are consistent in complying to and adopting regulatory frameworks for financial transactions and reporting through our membership with the Philippine Payments Management Inc. (now Payments Network of the Philippines Inc) who oversees the Automated Clearing Houses for Instapay and Pesonet to support interoperability for both retail and corporate fund transfers and payments. Our digital transformation agenda is aligned with the BSP's Digital Payments Transformation Roadmap launched in October 2020, supporting the national objective of accelerating payment digitalization. We implemented an API gateway in 2025 to introduce a secure and standardized manner of integrating with third parties. While digital banks have been important catalysts for innovation, BankCom's combined physical (branches and ATMs) and digital channels (corporate and retail internet) continuous expansion, its long standing customer relationships and brand equity leading to its regulatory and risk management maturity, its capability to fully service the financial ecosystem are strong foundations as we accelerate digital transformation and narrow the gap with digital banks.

Digital banks offer financial products and services that are processed end-to-end through a digital platform and/or electronic channels with no physical branches. Just like traditional banks, they are allowed to grant loans, accept deposits, invest in securities, issue credit cards, and buy and sell foreign exchange currencies, among others.

As of 30 June 2026, the BSP has granted seven (7) digital bank licenses: (i) Overseas Filipino Bank, (ii) Tonik Digital Bank, Inc., (iii) UNObank, (iv) UnionDigital Bank, (v) GoTyme Bank, (vi) Maya Bank and (vii) Maribank. These are in addition to banks offering no-branch banking services through their respective mobile apps such as CIMB Bank Philippines which both provide all-online retail banking services despite having existing commercial and universal banking licenses respectively. Beginning 01 January 2026, the BSP will open

applications for up to four (4) new digital bank licenses, allowing for a maximum of ten (10) digital banks to operate in the country at any given time.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on Section 8.5 and Strategies on Section 8.6 of the Offering Circular. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

6.3.16 The Bank may fail to upgrade or effectively operate its information technology systems.

The Bank's businesses are heavily dependent on the ability to timely and accurately collect and process a large amount of financial and other information across numerous and diverse markets and products at its various branches, at a time when transaction processes have become increasingly complex with increasing volume. The proper functioning of its financial control, risk management, accounting or other data collection and processing systems, together with the communication networks connecting its various branches and offices is critical to its business and its ability to compete effectively. It has centralized the database in respect of its domestic business through the adoption of a core banking system that provides the capability of online real-time transaction processing and accessible in various electronic channels, including ATMs, internet banking, and mobile banking. Any failure in the Bank's systems or to implement new systems, particularly for retail products and banking transactions could have a negative effect on its business, financial condition and results of operations.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on Section 8.5 and Strategies on Section 8.6 of the Offering Circular. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

6.3.17 The Bank's failure to manage risks associated with its information and technology systems could adversely affect its business.

The Bank is subject to risks relating to its information and technology systems and processes. The hardware and software used by the Bank in its information technology are vulnerable to damage or interruption by human error, misconduct, malfunction, natural disasters, power loss, sabotage, computer viruses or the interruption or loss of support services from third parties such as internet service providers, ATM operators and telephone companies. Any disruption, outage, delay or other difficulties experienced by any of these information and technology systems could result in delays, disruptions, losses or errors that may result in loss of income and decreased consumer confidence in the Bank. These may, in turn, adversely affect its business, financial condition and results of operations.

The Bank also seeks to protect its computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by its increased use of the internet. For example, in connection with the installation, maintenance and upgrading of new technology systems, the Bank grants third party access to its systems and there can be no assurance that such access will not result in security breaches or other disruptive problems. Computer break-ins and security breaches would affect the security of information stored in and transmitted through these computer systems and network infrastructure. The Bank employs security systems and maintains operational procedures to prevent break-ins, damage and failures. The potential for fraud and securities problems is likely to persist and there can be no assurance that these security measures will be adequate or successful. The costs of maintaining such security measures may also increase substantially. Failure in security measures could have a material adverse effect on its business, financial condition and results of operations. To mitigate this risk, the Bank has a Managed Security Operations Center (MSOC), a centralized outsourced function employing people, process, and technology to continuously monitor and improve the Bank's security posture while preventing, detecting, analyzing, and responding to cybersecurity incidents.

The Bank also performs regular vulnerability assessment and penetration testing to assess the security measures, identify all risks to the security information, evaluate the safeguards and controls of the Bank to deter advanced persistent threats, and identify the risk level the Bank is currently exposed to so that an appropriate set of response to and mitigation of those weaknesses can be deployed. A constant "Information Security Training and

Awareness" system is also in place designed to help the Bank's employees understand the role they play in helping to combat information security breaches. The training program includes an orientation for all newly hired employees, refresher training, annual examinations, simulated phishing exercises and monthly risk advisories.

The Bank follows the NIST Cybersecurity Framework, a set of guidelines and best practices that helps the Bank continuously build and improve its cybersecurity posture. The framework puts forth sets of recommendations and standards that enables the Bank to be better prepared in identifying and detecting cyberattacks, and provides guidelines on how to respond, prevent, and recover from cyber incidents.

Even with all these controls in place, the Bank still encounters occasional issues such as third parties using phishing techniques to get login data from customers. There have also been hacking attempts to retrieve and use credit card information. Fraud amounts have been within the Bank's risk appetite and there have been no mass incidents of fraud affecting more than a handful of its customers.

6.3.18 The Bank is subject to interest rate risk.

The Bank realizes income from the margin between interest-earning assets (due from BSP, due from other banks, interbank loans receivable and securities purchased under resale agreement with BSP, trading and investment securities and loans and receivables), and interest paid on interest-bearing liabilities (deposit liabilities, bills payable and subordinated debt, and other forms of borrowings). The business of the Bank is subject to fluctuations in market interest rates as a result of mismatches in the re-pricing of assets and liabilities. These interest rate fluctuations are neither predictable nor controllable and may have a material adverse impact on the operations and financial condition of the Bank by affecting its interest income, cost of funding and general performance of its existing loan portfolio and other assets. In a rising interest rate environment, if it is not able to pass along higher interest costs to its customers, it may negatively affect its profitability. If such increased costs are passed along to customers, such increased rates may make loans less attractive to potential customers and result in a reduction in customer volume and hence operating revenues. Increased interest rates on the Bank's customers' floating rate loans can also potentially negatively affect the Bank's business by increasing default rates among the Bank's borrowers, which could in turn lead to increases in the Bank's NPL portfolio and its real and other properties acquired. Likewise, rising interest rates may impact the value of the Bank's investment securities resulting in unrealized marked to market losses in its trading and FVOCI investment portfolios. Furthermore, the Bank may suffer trading losses as a result of the decline in value of these securities. Finally, continued increases in market interest rates could adversely affect the liquidity levels of the Bank and the Philippine banking industry in general, which have in recent years been supported by the relatively low-interest rate environment in the Philippines. In a decreasing interest rate environment, potential competitors may find it easier to enter the markets in which it operates and to benefit from wider spreads. As a result, fluctuations in interest rates could have an adverse effect on its margins and volumes and in turn adversely affect its business, financial condition and results of operations.

To measure interest rate risk, the Bank's Risk Management Division uses internally developed models such as Value- at-Risk (VAR) and Earnings-at-Risk (EAR). These models are subject to independent model validation in addition to yearly audit. Interest rate risk is managed by comparing exposures against Board Risk Oversight Committee (BROC) approved limits such as stop loss, position, delta sensitivity, VAR, repricing gap and EAR limits. Compliance with these limits is regularly reported to the Asset Liability Committee and the BROC.

For pre-termination and prepayment risk in particular, like all banks, the Bank is subject to time deposit pretermination and loan pre-payment. The Bank incorporates these two risks in our EAR model using behavioral assumptions using historical customer behavior. The Bank sets limits for EAR for guidance to manage such risk. Given the rising interest rate environment, pre-payment/pre-termination risk is seen to be minimal as customers have preferred to stay with their existing lower rates.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on Section 8.5 and Strategies on Section 8.6 of the Offering Circular. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

6.3.19 The Bank is subject to foreign exchange risk.

As a financial organization, the Bank is exposed to foreign exchange risk. Movements in foreign exchange rates could adversely affect its business, financial condition and results of operations. The foreign exchange transactions of Philippine banks are subject to stringent BSP regulation. Under BSP guidelines, the Bank is required to provide 100.0% foreign asset cover for all foreign currency liabilities in its Foreign Currency Deposit Unit ("**FCDU**") books. As of 30 June 2026, the Bank had ₱ 34.57 billion of assets and ₱ 34.37 billion of liabilities in FCDU books, primarily in U.S. dollars. The decline in the value of the peso against foreign currencies, in particular, the U.S. dollar may affect the ability of the Bank's customers or the Government to service debt obligations denominated in foreign currencies and, consequently, increase NPLs. Conversely, increases in the value of the peso can depress the export market which can negatively affect the ability of the Bank's customers to repay their debt obligations or may reduce credit quality or demand. There can be no assurance that the peso will not fluctuate further against other currencies and that such fluctuations will not ultimately have an adverse effect on the Bank.

6.3.20 The value of the Banks collateral may decline in the future

As of 31 December 2023, 2024, 2025, and 30 June 2026, the Bank's secured loans (gross of unearned and other deferred income and allowance for credit losses) represented 55.7%, 40.2%, 44.7%, and 42.7% of the Bank's receivables from customers, respectively. As of the same dates, 6.0%, 10.6%, 9.2%, and 10.1%, respectively, of such secured loans were secured by real estate mortgages, while 2.1%, 1.7%, 1.8%, and 2.5%, respectively, were secured by chattel mortgages.

The recorded values of the Bank's collateral may not accurately reflect its liquidation value, which is the maximum amount the Bank is likely to recover from a sale of the collateral, less expenses of such sale. There can be no assurance that the realized value of the collateral would be adequate to cover the Bank's loans. An economic downturn, in particular a downturn in the real estate market, could result in a fall in the relevant collateral values for the Bank. Some of the valuations in respect of the Bank's collateral may also be out of date or may not accurately reflect the value of the collateral. In certain instances, where there are no purchasers for a particular type of collateral, there may be significant difficulties in disposing of such collateral at a reasonable price. Any decline in the value of the collateral securing the Bank's loans, including with respect to any future collateral taken by the Bank, would mean that the Bank may not be able to recover fully the provisions that absorbed the NPL. Any increase in the Bank's loan loss provisions would adversely affect its business, its financial condition, results of operations and capital adequacy ratio.

In addition, the Bank may not be able to recover in full the value of any collateral or enforce any guarantee due, in part, to difficulties and delays that may be involved in enforcing such obligations through the Philippine legal system. The procedures to foreclose on collateral or enforce a guarantee are subject to administrative and bankruptcy law requirements which may be more burdensome than in certain other jurisdictions. The resulting delays can last several years and lead to deterioration in the physical condition and market value of the collateral, particularly where the collateral is in the form of inventory or receivables. In addition, such collateral may not be insured. These factors may expose the Bank to legal liability while in possession of the collateral. These factors may also significantly reduce the Bank's ability to realize the value of its collateral and therefore the effectiveness of taking security for the loans it grants. Furthermore, the Bank may incur expenses to maintain such properties and prevent their deterioration. In realizing cash value for such properties, the Bank may incur further expenses such as legal fees and taxes associated with such realization. There can be no assurance that the Bank will be able to realize the full value, or any value, of any collateral on its loans.

6.3.21 The Bank's restructured loans may become non-performing.

The Bank is exposed to a variety of risks, including credit risk, market risk, portfolio risk, foreign exchange risk and operational risk. The effectiveness of its risk management is limited by the quality and timeliness of available data in the Philippines in relation to factors such as the credit history of proposed borrowers and the loan exposure borrowers have with other financial institutions. In addition, the information generated by different groups within the Bank may be incomplete or obsolete. It may also have developed credit screening standards in response to such inadequacies in quality of credit information that may be different from, or inferior to, the standards used by its international competitors as well as larger banks with greater resources in the Philippines. The Bank's ability to assess, monitor and manage risks inherent in its business may not meet the standards of larger, more established Philippine banks or its counterparts in more developed countries. If the Bank is unable to acquire or develop in the future the technology, skill sets and systems necessary to attain such standards, or if its standards are not as rigorous as international standards or comparable to larger more established Philippine banks that have greater resources than the Bank, it could have a material adverse effect on its ability to manage these risks, ability to grow and on its business, financial condition and results of operations.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on Section 8.5 and Strategies on Section 8.6 of the Offering Circular. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

6.3.22 The Bank's business, reputation and prospects may be adversely affected if the Bank is not able to detect and prevent fraud or other misconduct committed by the Bank's employees or outsiders on a timely basis

The Bank is exposed to the risk that fraud and other misconduct committed by employees or outsiders could occur. Such incidences may adversely affect banks and financial institutions more significantly than companies in other industries due to the large amounts of cash that flow through their systems. Any occurrence of such fraudulent events may damage the reputation of the Bank and may adversely affect its business, financial condition, results of operations and prospects. In addition, failure on the part of the Bank to prevent such fraudulent actions may result in administrative or other regulatory sanctions by the BSP or other Government agencies, which may be in the form of suspension or other limitations placed on the Bank's banking and other business activities. The Bank believes it has in place certain internal control procedures to prevent and detect fraudulent activities. However, these may be insufficient to prevent such occurrences from transpiring. There can be no assurance that it will be able to avoid incidents of fraud in the course of its business.

6.3.23 The Bank's ability to assess, monitor and manage risks inherent in its business differs from the standards of its counterparts in more developed countries as well as larger banks in the Philippines.

The Bank is exposed to a variety of risks, including credit risk, market risk, portfolio risk, foreign exchange risk and operational risk. The effectiveness of its risk management is limited by the quality and timeliness of available data in the Philippines in relation to factors such as the credit history of proposed borrowers and the loan exposure borrowers have with other financial institutions. In addition, the information generated by different groups within the Bank may be incomplete or obsolete. It may also have developed credit screening standards in response to such inadequacies in quality of credit information that may be different from, or inferior to, the standards used by its international competitors as well as larger banks with greater resources in the Philippines. The Bank's ability to assess, monitor and manage risks inherent in its business may not meet the standards of larger, more established Philippine banks or its counterparts in more developed countries. If the Bank is unable to acquire or develop in the future the technology, skill sets and systems necessary to attain such standards, or if its standards are not as rigorous as international standards or comparable to larger more established Philippine banks that have greater resources than the Bank, it could have a material adverse effect on its ability to manage these risks, ability to grow and on its business, financial condition and results of operations.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on Section 8.5 and Strategies on Section 8.6 of the Offering Circular. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

6.3.24 The Bank relies on certain key management and senior executives and the loss of any such key individuals or the inability to attract and retain other highly capable individuals may negatively affect its business

The Bank's success depends upon, among other factors, the retention of its key management and senior executives and upon its ability to attract and retain other highly capable officers. The loss of some of its key management, senior executives or an inability to attract or retain other key individuals could materially and adversely affect its business, financial position and results of operations.

In addition, the Bank's successful implementation of its branch network growth strategy will rely on its ability to identify and attract qualified management and other personnel. In the past, it has faced challenges in hiring and retaining such personnel, and a failure to do so in the future could adversely affect the expansion of the Bank's network and achieving related strategic objectives such as expanding the Bank's deposit and customer base.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on Section 8.5 and Strategies on Section 8.6 of the Offering Circular. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

6.3.25 The Bank's growth is dependent on its ability to attract and retain employees.

A substantial portion of the Bank's business is conducted and obtained through its branch network. The Bank, as well as several other Philippine banks, intends to significantly increase the size and scope of its branch network. As a result, competition for branch employees is intense. If the Bank is unable to attract new employees, its growth and expansion plans could be adversely affected. In addition, if the Bank is unable to retain its current group of well-trained employees, its business could be materially and adversely affected. Although there is significant competition for bank employees from other financial institutions in the Philippines, the Bank may be unable to increase the compensation of, or provide additional incentives to, its current or potential employees. Increased compensation rates paid to its employees will also increase its operating costs and reduce profitability. There can be no assurance that it will succeed in attracting and retaining employees in the future.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on Section 8.5 and Strategies on Section 8.6 of the Offering Circular. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

6.3.26 If the Bank were not to comply with FATCA, this may cause material and adverse impact on the Bank's business, financial conditions and results of operations.

FATCA is the Foreign Account Tax Compliance Act enacted into law in the U.S. on 18 March 2010 as part of the Hiring Incentives to Restore Employment Act. It is a new regime for finding income overseas as a response to a landmark court case in which a large international bank agreed to pay $780 million in fines for their role in assisting U.S. citizens in evading income taxes.

FATCA impacts a number of organizations and individuals. It first affects U.S. persons with income abroad. Secondly, foreign financial institutions ("**FFIs**") that invest in U.S. markets will be impacted as well as U.S. financial institutions that do business with FFIs. Additionally, local government and taxing authorities in each country will see the effects of the act as well. It also brought forth an expansion of tax reporting for non-resident aliens.

An FFI will have to set up a process to identify U.S. accounts as part of its on-boarding procedures. Once that is in place, it will also have to identify any current accounts with U.S. indicia. Additionally, there is a need to set up a process to monitor account changes for indicia of U.S. status.

After the identification of impacted accounts, an FFI will have to collect documentation on each of these accounts to prove whether or not they are a U.S. person. If they are not a U.S. person and the FFI has the appropriate documentation, the FFI's obligations have been fulfilled. If they are a U.S. person, the FFI's next move will depend on the country that has jurisdiction over the FF. By default, the Participating Foreign Financial Institutions ("**PFFIs**") in countries without an intergovernmental agreement will directly report to the US Internal Revenue Service ("**IRS**").

There is a requirement for PFFIs to withhold 30% of income from recalcitrant account holders in order to comply with FATCA. A recalcitrant account holder is one who fails to comply with reasonable requests pursuant to IRS mandated verification and due diligence procedures to identify U.S. accounts, to provide a name, address and TIN or fails to provide a bank secrecy waiver upon request.

Specific to the Bank's compliance with FATCA, the Bank and its subsidiaries registered on 30 June 2014 as an Expanded Affiliate Group i.e., the Bank (lead financial institution) and subsidiaries. The Bank subsequently updated its FATCA status and registered as a Reporting Financial Institution under a Model 1 Intergovernmental Agreement ("**IGA**"). The Bank's FATCA ID and Global Intermediary Identification Number is TGJ QCS.99999.SL.608.

Under the IGA, the Secretary of Finance or Commissioner of Internal Revenue is the competent authority to receive FATCA information for reporting to the U.S. Internal Revenue Service. FATCA reporting will not take place until the PH-US FATCA IGA has been concurred by the Philippine Senate and has entered into force.

6.3.27 The Bank is involved in litigation, which could result in financial losses or harm to its business.

The Bank is and may in the future be, implicated in lawsuits on an on-going basis. Litigation could result in substantial costs to and a diversion of effort by, the Bank and/or subject the Bank to significant liabilities to third parties. There can be no assurance that the results of such legal proceedings will not materially harm the Bank's business, reputation, or standing in the marketplace or that the Bank will be able to recover any losses incurred from third parties, regardless of whether the Bank is at fault. Furthermore, there can be no assurance that: (i) losses relating to litigation will not be incurred beyond the limits, or outside the coverage, of such insurance, or that any such losses would not have a material adverse effect on the results of the Bank's business, financial condition, or results of operations; or (ii) provisions made for litigation related losses will be sufficient to cover the Bank's ultimate loss or expenditure.

6.3.28 Changes to regulations and guidelines issued by regulatory authorities in the Philippines, including the Bureau of Internal Revenue may have an adverse impact on the Bank.

In recent years, the Philippine government has implemented significant tax reforms, including measures under the Comprehensive Tax Reform Program. While certain reforms originally contemplated under the tax reform program have been enacted (through, among others, the TRAIN Law, CREATE Act, CREATE MORE, and the CMEPA), legislative proposals relating to the taxation of financial transactions, passive income, financial intermediaries and other tax matters may continue to be considered by Congress from time to time. Other tax reform measures may likewise be proposed, enacted or implemented in the future.

Philippine banks also face the threat of being assessed for documentary stamp tax upon their issue of passbooks for higher interest rate deposits. The Court of Tax Appeals has, in several cases against other Philippine banks, affirmed the BIR's position that passbooks for higher interest rate deposits having the essential features of a certificate of deposit are subject to the documentary stamp tax imposed on certificates of deposit. These proceedings are currently on appeal and if the BIR's position is upheld it could result in the Bank's taxation charge being increased.

If the Bank is unable to comply with existing and new rules and regulations applicable to it, it could incur penalties and its business reputation may suffer, which could have a material adverse effect on its tax position, business, financial position and results of operations.

6.4 CONSIDERATIONS RELATING TO THE BONDS

6.4.1 The Bonds have no preference under Article 2244(14) of the Civil Code.

Under Philippine law, in the event of liquidation of a company, unsecured debt of the company (including guarantees of debt) which is evidenced by a public instrument as provided in Article 2244(14)(a) of the Civil Code of the Philippines will rank ahead of unsecured debt of the company which is not so evidenced. Under Philippine law, a debt becomes evidenced by a public instrument when it has been acknowledged before a notary or any person authorised to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a jurat (which is a statement of the circumstances in which an affidavit was made) may be sufficient to constitute a debt evidenced by a public instrument.

No other loan or other debt facility currently or to be entered into by the Bank shall have preference of priority over the Bonds as accorded to public instruments under Article 2244(14) of the Civil Code of the Philippines, and all banks and lenders under any such loans or facilities that are notarized have waived the right to the benefit of any such preference or priority. However, should any bank or holder hereinafter have a preference or priority over the Bonds as a result of notarization, then the Issuer shall at the Issuer's option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds as may be practicable.

6.4.2 Philippine Deposit Insurance Corporation (PDIC) Insurance Coverage of the Bonds

The Bonds are not considered bank deposits, and as such are not insured with the PDIC.

6.4.3 Limited right to accelerate

The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, enforceable according to the Terms and Conditions, and shall at all times rank *pari passu* and without any preference or priority among themselves and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Issuer, except for any obligation enjoying a statutory preference or priority established under Philippine laws.

The rights of the Holders are limited in certain respects. If any one or more Acceleration Events shall have occurred and be continuing, then any Holder may, by notice to Issuer and the Registrar and Paying Agent, declare the principal and all accrued interest (including default interest, as specified in the Terms and Conditions) on the Bonds held by such Holder and other applicable charges thereon (including any incremental taxes that may be due on the interest income already earned under the Bonds) immediately due and payable. Upon such declaration, such amount shall be immediately due and payable by the Issuer, without need for any further presentment, demand, protest or further notice of any kind, all of which are expressly waived by the Issuer, and, without prejudice to the other remedies available to the other holders. As defined in the Terms and Conditions, "Acceleration Events" include loss of the Issuer's primary corporate franchise or other material licenses, payment default, insolvency or dissolution, and cross-default.

With respect to Events of Default not constituting an Acceleration Event, only Holders representing at least a majority of the then aggregate outstanding principal amount of the Bonds may, by notice to Issuer and the Registrar and Paying Agent, declare the principal and all accrued interest (including default interest, as specified in the Terms and Conditions) on the Bonds and other applicable charges thereon (including any incremental taxes that may be due on the interest income already earned under the Bonds) immediately due and payable. Upon such declaration, such amount shall be immediately due and payable by the Issuer, without need for any further presentment, demand, protest or further notice of any kind, all of which are expressly waived by the Issuer, and, without prejudice to the other remedies available to the other holders. See "Terms and Conditions" for further details.

6.4.4 Limited Liquidity of the Bonds

The Issuer intends to list the Bonds for trading in PDEx. No assurance can be given that an active trading market for the Bonds will develop. Even if such a market were to develop, the Bonds could trade at prices that may be higher or lower than the price at which the Bonds are issued depending on many factors, among them:

- prevailing interest rates,
- the Issuer's results of operations and financial condition,
- political development in the Philippines,
- market for similar securities, and
- financial condition and stability of the banking sector.

Upon listing of the Bonds with PDEx, investors shall course their secondary market trades through the trading participants of PDEx for execution in the PDEx Trading Platform in accordance with the PDEx Trading Rules, Conventions and Guidelines, as these may be amended or supplemented from time to time, and must settle such trades on a Delivery versus Payment (DvP) basis in accordance with PDEx Settlement Rules and Guidelines. These Settlement Rules and Guidelines include guidelines on minimum trading lots and record dates. The secondary trading of Bonds in PDEx may be subject to such fees and charges of PDEx, the trading participants of PDEx, and other providers necessary for the completion of such trades. The PDEx rules and conventions are available in the PDEx website (www.pds.com.ph). An investor Frequently Asked Questions ("**FAQ**") discussion on the secondary market trading, settlement, documentation and estimated fees are also available in the PDEx website.

As with other fixed income securities, the Bonds trade at prices higher or lower than the initial offering price due to prevailing interest rates, the Bank's operations, and the overall market for debt securities, among others. It is possible that a selling Bondholder would receive sales proceeds lower than his initial investment should a Bondholder decide to sell his Bonds prior to maturity.

Subject to the Terms and Conditions, the Bonds cannot be pre-terminated at the instance of any Bondholder before Maturity Date. However, the Bank may, subject to the General Banking Law of 2000, Subsection X233.9 of the MORB and other related circulars and issuances, as may be amended from time to time, redeem all and not only part of the outstanding Bonds on any Interest Payment Date prior to Maturity Date, at an Early Redemption Amount equal to the Issue Price plus interest accrued and unpaid up to but excluding the Early Redemption Date.

6.4.5 Secondary Transfers

All transfers or assignments of the Bonds shall be coursed through a PDEx Trading Participant, subject to PDEx Rules. Consequently, the parties to a transfer may be subject to the guidelines of Exchange and the payment to the relevant fixed income exchange and the Registrar and Paying Agent of any reasonable fees and applicable taxes. There is no assurance that the secondary trading of the Bonds may not be affected given these restrictions. Any transfer between investors with a different tax status with respect to the Bonds will be subject to applicable rules as may be issued from time to time by the Exchange.

The BSP and the banking industry are undertaking reforms to align Philippine bond pricing practices with international market conventions, particularly by removing the impact of the 20% withholding tax currently incorporated into bond pricing and collected upon settlement. The proposed overhaul is expected to be implemented in two stages: initially, the tax effects of bond premiums and discounts will be excluded from pricing, followed by changes to the treatment of withholding tax on accrued interest, such that the tax is no longer deducted when the security is sold. While intended to improve market efficiency and support alignment with global standards, the transition may result in changes in the valuation and mark-to-market values of existing bond holdings, potentially affecting the Banks' trading books, earnings, and capital, as well as valuations for retail and

BankCom trust clients. The change may also expose banks to client disputes or legal risks should material valuation losses arise from the revised pricing methodology.

6.4.6 Issuance and Transfer Restrictions

The Bonds may not be issued or transferred to (i) the Issuer; (ii) the subsidiaries or affiliates of the Issuer; (iii) wholly or majority-owned or controlled entities of such subsidiaries and affiliates of the Issuer; or (iv) any other Prohibited Bondholders. The Registrar is authorized to refuse any transfer or transaction in the Registry Book that may be in violation of these restrictions. There is no assurance that the secondary trading of the Bonds may not be affected given these restrictions.

6.4.7 New tax legislation could result in the removal of the existing tax exemption and/or the imposition of a different tax rate for instruments such as the Bonds, both of which could affect the expected yield of holders.

Under current tax laws and regulations, interest income derived by (i) an individual citizen (resident or non-resident) or (ii) a resident alien or non-resident alien engaged in trade or business in the Philippines is currently subject to withholding tax at the rate of 20%.

In recent years, the Philippine government has implemented significant tax reforms, including measures under the Comprehensive Tax Reform Program. While certain reforms originally contemplated under the tax reform program have been enacted (through, among others, the TRAIN Law, CREATE Act, CREATE MORE, and the CEMPA), legislative proposals relating to the taxation of financial transactions, passive income, financial intermediaries and other tax matters may continue to be considered by Congress from time to time. Other tax reform measures may likewise be proposed, enacted or implemented in the future.

Under the terms of the Bonds, if any payments of principal and/or interest under the Bonds shall be subject to deductions or withholding for or on account of any taxes, duties, assessments, or governmental charges of whatever nature (including any additional or new taxes, duties, assessments, or governmental charges arising from changes in tax laws and regulations or from changes in the interpretation thereof) that may be levied, collected, withheld, or assessed by or within the Philippines or any authority therein or thereof having the power to tax, including but not limited to documentary stamp, income, value-added or similar taxes, including interest, surcharges, and penalties thereon then all such taxes shall be for the account of the relevant Bondholder. As issuer of the Bonds, the withholding of final tax on the interest due on the Bonds is the responsibility of the Bank pursuant to Section 57 of the National Internal Revenue Code, Section 2.57 of Revenue Regulations No. 2-98, BIR Revenue Regulations No. 11-2018 (see "Philippine Taxation" section for a discussion on the taxation of the Bonds).

A potential investor should consult tax advisers to assess the potential effects of any future amendments to tax statutes on the tax treatment of the Bonds, before making any investment decision.

6.4.8 The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. Each potential investor should:

- have enough knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, the appropriate analytical tools to evaluate, in the context of its financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- have enough financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's

currency;

- understand thoroughly the terms of the Bonds and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either individually or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments and investors may purchase such instruments as a way to manage risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. Investors may purchase Bonds to manage risk or enhance yields. A potential investor should not invest in the Bonds unless it has the expertise (either individually or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

6.4.9 The Bonds are subject to tax

See "Philippine Taxation" section for a discussion on the taxation of the Bonds.

6.4.10 The credit ratings assigned to the Bank or the Bonds may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to the Bank, an issue or Bonds and/or the Programme. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Bonds and/or the Programme. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

6.5 CONSIDERATIONS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF BONDS

Bonds with different features may be issued under the Programme. A number of these Bonds may have features which contain particular risks for investors. Set out below is a description of certain such features of the Bonds and associated risks.

6.5.1 Bonds subject to optional redemption by the Bank

An optional redemption feature of Bonds is likely to limit their market value. During any period when the Bank may elect to redeem Bonds, the market value of those Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Bank may be expected to redeem Bonds when its cost of borrowing is lower than the interest rate on the Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

6.5.2 Fixed/Floating Rate Bonds

Fixed/Floating Rate Bonds are Bonds which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Bank has the right to affect such a conversion, this will affect the secondary market and the market value of the Bonds since the Bank may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Bank converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Bond may be less favorable than then prevailing

spreads on comparable Floating Rate Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Bonds. If the Bank converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Bonds.

6.5.3 Bonds issued at a substantial discount or premium

The market values of securities issued at a substantial discount (such as Zero-Coupon Bonds) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

6.5.4 The Bonds are being issued on Philippine Dealing and Exchange Corp. ("PDEx") and the Bank has decided to utilize the Electronics Securities Issue Portal ("e-SIP")

The Bonds will be listed on PDEx and registered with the Philippine Depository & Trust Corp. ("**PDTC**") using the e- SIP platform. This web-based system, managed by Philippine Dealing System Holdings Corp. ("**PDS**") simplifies the issuance process for fixed-income instruments. The e-SIP enables electronic submission of documents for the listing and registration of bondholders.

The Issuer, Registrar, and Paying Agent have executed a Registry and Paying Agency Agreement dated 24 June 2022, binding the Issuer to the Terms of Use of e-SIP. By using e-SIP, the Issuer will register the issuance of the Bonds and relevant parties will facilitate document submission electronically for the Offer.

Although PDTC has obligated itself to take commercially reasonable efforts to ensure that the e-SIP is operational and available during regular business hours, there is no assurance that the e-SIP will be fully operational and will be available at all times during the course of registration.

6.6 CONSIDERATIONS RELATING TO THE MARKET GENERALLY

6.6.1 The value of the Bonds may be adversely affected by movements in market interest rates.

Investment in the Bonds involves the risk that if market interest rates subsequently increase above the rate paid on the Bonds, this will adversely affect the value of the Bonds.

6.6.2 Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Bonds are legal investments for it; (2) Bonds can be used as collateral for various types of borrowing; and (3) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

6.7 RISKS RELATING TO THE INFORMATION IN THIS OFFERING CIRCULAR

6.7.1 Undue reliance cannot be placed on any unaudited and/or unreviewed interim financial statements included in and/or deemed incorporated by reference to this Offering Circular.

Any published unaudited and/or unreviewed interim financial statements of the Bank which are included in or, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited, or reviewed, as the case may be, by the auditors of the Bank. These financial statements are therefore not covered by any audit, review or other independent report, as the case may be, and were prepared and finalised solely by the Bank. Accordingly, there can be no assurance that, had an audit or a review, as the case may be, been

conducted in respect of such financial statements, the information presented therein would not have been materially different, and investors should not place undue reliance on them.

SECTION 7. CAPITALIZATION AND INDEBTEDNESS

The following table sets out the reviewed indebtedness and capitalization of the Bank as of 30 June 2026.

	As of 30 June 2026 unaudited (in ₱ millions)
Liability Accounts	
Deposit Liabilities	223,637
Financial Liabilities at FVPL	15
Bonds Payable	17,911
Manager's Checks	1,452
Accrued Interest, Taxes, and Other Expenses	1,509
Other Liabilities	6,612
Total Liabilities	251,136
Equity Accounts	
Paid-in Capital Stock	18,197
Additional Paid-in Capital	7,229
Surplus reserves	1,479
Retained Earnings	11,098
Remeasurement losses on retirement liability	(324)
Net unrealized losses on financial assets at FVOCI	(1,313)
Cumulative translation adjustment	13
Share in other comprehensive loss of an associate	(5)
Total Equity	36,373
Total Capitalization and Indebtedness	287,509

SECTION 8. DESCRIPTION OF THE BANK

8.1 OVERVIEW

Bank of Commerce, a universal bank licensed by the Bangko Sentral ng Pilipinas ("BSP"), traces its origins to the Overseas Bank of Manila, established in Binondo, Manila in 1963. In 2008, San Miguel Corporation ("SMC") bought into the Bank and became a major stakeholder through the voting stake of San Miguel Properties, Inc. in the Bank. In December 2020, the Intellectual Property Office (IPO) granted the copyright license for "BankCom" as the Bank's official short name.

The Bank provides innovative banking solutions and a complete range of products and services in deposit, commercial loans, credit card services, consumer banking, transaction banking, corporate banking, investment banking, treasury, asset management, trust and investments. In terms of service reach, the Bank has retail and corporate internet banking facilities, and maintains a network of 142 branches – inclusive of the main branch, 139 regular branches, and 2 branch lite units – and 284 automated teller machines (ATMs) and cash kiosks, strategically located nationwide as of June 30, 2026.

8.2 RECENT DEVELOPMENTS

8.2.1 Highlights for the Period Ended 30 June 2026 vs 30 June 2025

For the six months ended June 30, 2026, Bank of Commerce recorded an unaudited net income of ₱2.11 billion, reflecting a 13.34% increase from ₱1.86 billion in the same period last year. BankCom's revenue expansion is mainly attributable to sustained growth in core revenue streams driven by net interest income, gains from foreign exchange transactions, and sale of properties and assets.

Net interest income surged to ₱6.11 billion, improving 18.77% growth from the ₱5.15 billion recorded in the same period last year. The increase was driven by the strong contributions from the Bank's lending activities and investment securities portfolio owing to higher average daily levels, along with the lower cost of funds despite a challenging interest rate environment.

Despite the challenging market conditions, the Bank maintained a diversified revenue base that continued to support overall earnings growth as it saw Other income contributing ₱785.38 million. The Bank earned from ROPA sales of ₱340.69 million, which is an 18.01% increase from last year and foreign exchange gains from client-related transactions of ₱109.58 million, 5.90% higher from the first half of 2025. These revenue sources along with fee-generating activities softened the impact of trading losses arising from market volatility stemming from geopolitical tensions in the Middle East.

BankCom maintained strong asset quality, with provisions for credit and impairment losses declining by 13.17% to ₱7.98 million from the same period last year, reflecting disciplined risk management practices.

Operating expenses ("OPEX"), excluding provision for credit and impairment losses, posted ₱4.05 billion, 12.54% more than the ₱3.60 billion in the same period last year. The increase reflects BankCom's continued strategic investments in human capital, branch lites, technology, and other business expansion initiatives.

The bank's strategy of improving its revenue streams and prudent spending resulted in a cost-to-income ratio of 59%

8.2.2 Highlights for the Period ended 30 June 2026 vs Year Ended 31 December 2025

As of 30 June 2026, total assets stood at ₱287.51 billion, a slight increase from the 286.85 billion as of 31 December 2025, translating to return on assets ("ROA") of 1.47%.

Total loans and receivables which represent 53% of the total assets, totaled ₱153.56 billion, 5.68% down from last year due to scheduled paydowns and maturities during the period. The slight dip in loans resulted to a loan-

to-deposit ratio of 70%. Gross non-performing loans ("NPL") and net NPL ratios remained in check at 1.43% and 0.63% respectively.

Financial assets at fair value through profit or loss ("FVPL") and financial assets at fair value through other comprehensive income ("FVOCI"), decreased to ₱3.78 billion and ₱31.75 billion, respectively, from ₱5.17 billion and ₱35.02 billion as of 31 December 2025. These portfolio reductions were aimed at mitigating the impact of geopolitical tensions in the Middle East. In contrast, investment securities at amortized cost increased by 18.94% to ₱49.21 billion from ₱41.37 billion of last year, driven by additional investments in government securities to lock in higher yields and manage market fluctuations.

Total deposits, which comprise 89.05% of the Bank's total liabilities, inched by 0.14% to ₱223.64 billion from ₱223.31 billion as of 31 December 2025, supported by growth in current and savings deposits. Broken down, total deposits consisted of ₱202.59 billion current account and savings account ("CASA"), posting an increase of 2.07% from ₱198.49 billion as of 31 December 2025. Time deposits declined by 15.22%, settling at ₱21.05 billion compared to the ₱24.83 billion recorded as of 31 December 2025.

Bonds payable stayed relatively flat at ₱17.91 billion.

During the period, the bank successfully maintained its bond funding base, reflecting continued investor confidence with its sound financial position.

The Bank's total capital funds remained strong at ₱36.37 billion as of 30 June 2026, representing a slight decrease of 0.56% from the ₱36.58 billion recorded as of 31 December 2025. Despite the modest decline, the Bank's sustained profitability and continued accumulation of retained earnings helped maintain a strong capital position during the period.

The bank's capital adequacy ratio ("CAR") remained strong at 17.07%, well above the minimum regulatory requirement of 10.00%.

8.2.3 Payment of Dividends to Stockholders at Record

During the Regular Meeting on 26 May 2026, the Board of Directors declared cash dividends to be paid out of the unrestricted retained earnings of the Bank as of December 31, 2025. This is after the Bank registered ₱3.54 billion profit in 2025.

This is the bank's third dividend declaration since going public in 2022. The total payout amounts to over ₱906 million, including ₱275 million for preferred shares.

Common shareholders received a total of ₱0.45 per share—comprising a regular dividend of ₱0.25 and a special dividend of ₱0.20. The dividends were paid on July 15, 2026, to shareholders on record as of June 19, 2026.

The payout represents 26% of its 2025 net income and will be funded from retained earnings, which remain well above levels at the time of its IPO.

8.3 CORPORATE HISTORY AND MILESTONES

1963	The Overseas Bank of Manila was incorporated in the Philippines
1980	Overseas Bank of Manila changed its name to Commercial Bank of Manila
1981	Commercial Bank of Manila (ComBank) was acquired by the GSIS
1984	ComBank acquired Royal Savings Bank
1988	First National Bank of Boston and a local investment group acquired ComBank

1988	ComBank was renamed the Boston Bank of the Philippines
1991	Boston Bank of the Philippines changed official name to Bank of Commerce
1993	Buyout of the majority interest of the First National Bank of Boston
2000	Acquired selected assets and liabilities of Pan Asia Bank
2001	Acquired selected assets and liabilities of Trader's Royal Bank
2008	San Miguel Properties, Inc. and San Miguel Corporation Retirement Plan became the controlling shareholders of the Bank
2018	New strategy with enhanced management team led by the appointment of the Bank's new President and CEO, Michelangelo R. Aguilar BankCom revised its logo to include "SMC affiliate" text
2020	The Bank was granted a copyright by the Intellectual Property Office for the short name "BankCom" BankCom issued ₱5.0 billion LTNCDs in March 2020
2021	In August 2021, BankCom completed the ₱5.5 billion private placement of SMC Equivest to help BankCom achieve the ₱20.0 billion minimum capital requirement for UB status On 23 December 2021, the BSP approved the upgrade of BankCom's commercial banking license to a universal banking license, subject to regulatory requirements
2022	BSP conferred on the Bank the authority to operate as a universal bank.
2023	BankCom participated in transactions that bagged awards from by Alpha Southeast Asia's 17th Annual Best Deal & Solutions Awards 2023 BankCom formally commences its core banking modernization and digital transformation project with Infosys Finacle. BankCom launches its Japan remittance business in December
2024	Bank of Commerce received 2 Awards from The Asset Triple A Awards 2024 and Alpha Southeast Asia's 18th Annual Deal & Solution Awards 2024 BankCom inaugurated 5 Branches of Tomorrow (Clark Freeport, Pasig C5, Antipolo, General Santos and Tuguegarao) BankCom strategically deployed Cash Kiosks across key locations nationwide
2025	BankCom received awards from various award-giving bodies: 1. Investment House Association of the Philippines (IHAP) Awards 2. The Asset Triple A Awards 3. Top 5 Corporate Issue Manager/Arranger by PDS Group 4. Alpha Southeast Asia Awards 5. Asian Banking & Finance Corporate & Investment Banking Awards 6. 1 Golden Arrow Award by Institute of Corporate Directors (ICD) The Bank completed the migration of branches and ATM fleet to advance banking systems BankCom listed its largest bond issue to-date at PHP 18 Billion BankCom inaugurated two Branch Lite Units in Caticlan Airport and NAIA Terminal 3

2026	BankCom won at the 19th Alpha Southeast Asia's Annual Deal & Solution Awards, taking home third-year recognition for key roles in two major transactions: the PHP 35.0 billion Fixed Rate Bonds of SMC Tollways Corporation (SMC Tollways) and the PHP 18.9 billion Preferred Shares Exchange Offering & PHP 30.0 billion Follow-on Offering of SMC on February 12 BankCom was recognized as one of the country's Top 5 Fixed-Income Cash Settlement Banks and Top 5 Corporate Issue Managers/Arrangers under the Bank Category during the 2026 Philippine Dealing System (PDS) Annual Awards Night on March 26 BankCom earned dual honors as "Top 5 Fixed-Income Cash Settlement Bank" and "Top 5 Corporate Issue Managers on April 17 Launched the first self-service currency exchange machine at NAIA Terminal 3 on May 17 PSE added BankCom on the Financials Index starting August 3

8.4 COMPETITION

The Bank faces competition in all its principal areas of business. Philippine domestic and foreign banks are the Bank's main competitors, followed by finance companies, mutual funds, and investment banks.

Mergers, acquisitions and closures reduced the number of players in the Philippine banking system from a high of 785 banks in 2009 to 460 banks as of June 2026. However, with the entry of foreign banks under new and liberalized banking laws and regulations, the number of universal and commercial banks has grown to 44 as of December 2025. Lending from universal and commercial banks posted a year-on-year growth of 9.8% in the quarter ended 30 June 2026 based on statistics of the BSP.

The extensive competition for large ticket corporate loans prompted banks to venture more extensively into middle-market, SME and consumer lending. The Bank, being a well-entrenched, long-term player in the commercial/universal banking space, enjoys the advantage of having experience that includes origination, credit selection, collection and asset recovery activities.

8.5 STRENGTHS

BankCom believes that its principal competitive strengths include the following:

8.5.1 Strong support from SMC Group and synergies with the SMC ecosystem

BankCom believes that it has strong support from SMC and continues to leverage its position as a member of the SMC Group, which is one of the largest and most diversified conglomerates in the Philippines by revenues and total assets. The SMC Group has business interests in various sectors including beverages, food, packaging, fuel and oil, energy, infrastructure, property development, cement, car distributorship, and banking services. In 2025, the SMC Group's sales were equivalent to approximately 5.3% of the country's GDP.

As a result of this relationship, the Bank has been able to gain significant business and realize valuable synergies with the SMC Group. These come in two (2) main forms: first, directly, through various banking and cross-selling opportunities with SMC's industry leading businesses; and second, indirectly, through the broader SMC Group ecosystem, through its network of customers, trade partners, suppliers, vendors, distributors, contractors, employees, among others. SMC Group's vast ecosystem creates an organic opportunity for BankCom to grow. In addition, the market leading nature of SMC Group's various businesses provides BankCom with a vast pool of opportunities to cross sell its products and services.

For instance, BankCom is the deposit bank of choice for many SMC Group affiliates. Further, the Bank has also expanded its client base to include coverage of middle market clients within the SMC ecosystem such as Petron dealers, San Miguel Brewery distributors, and Ginebra San Miguel distributors. This has opened opportunities for the Bank the bank to provide not only financing but also to cross sell other products such as cash management, foreign exchange, trade finance, and trust services to a broad and diversified clientele.

The SMC ecosystem provides the Bank with an abundant source of growth which it has historically leveraged and will continue to maximize as it pursues a new phase of growth.

8.5.2 Prudent balance sheet management with strong capitalization and liquidity to support a new growth phase

The Bank's astute use of capital has resulted in sustained strong capital adequacy ratios. CET 1 capital ratio stood at 13.75% as of 31 December 2024, 13.10% as of 31 December 2025, and 13.6% as of 30 June 2026. Meanwhile, the Bank's total capital adequacy ratio stood at 17.58% as of 31 December 2024, 16.48% as of 31 December 2025, and 17.07% as of 30 June 2026.

The Bank's CET 1 and CAR ratios are significantly above the BSP's current minimum levels of 6.0% and 10.0%, respectively. The same CET1 and CAR minimum requirements will continue to apply to the Bank as a universal bank. Furthermore, the Bank is among the country's best capitalized private domestic banks. The Bank's solid capital ratios create a robust runway for the Bank to support and execute its long-term growth plans.

Further, the Bank has a sizeable war chest of capital which will support its expansion initiatives as it pursues a new phase of growth. This includes the proceeds from the ₱5.5 billion preferred shares private placement in August 2021, and ₱18 billion bond issuance in February 2025. Moreover, the Bank has proven its ability to tap capital markets through its successful debut issuance of Long-Term Negotiable Certificates of Time Deposit in March 2020 which allowed the Bank to raise ₱5.0 billion. Lastly, the Bank currently has a liquid balance sheet with its loan-to-deposit ratio ("**LDR**") clocking in at 70% as of 30 June 2026. The Bank's war chest of capital affords BankCom a platform to launch its strategic growth objectives as well as "ready-to-deploy" stance as tactical growth opportunities arise.

8.5.3 Effective risk management leading to high asset quality and balance sheet resilience

BankCom has and continues to implement sound and effective risk management measures allowing the Bank to maintain high asset quality and a healthy balance sheet while pursuing growth. BankCom prioritizes loan quality and has adopted rigorous credit quality standards in accordance with BSP's guidelines on sound credit risk management practices. BankCom believes this approach will insulate the Bank against any downturns in the financial sector or in the domestic or global economies and serve as an additional layer of resilience and protection, as illustrated in the current market conditions as a result of the COVID-19 pandemic.

Through these measures, the Bank has grown its loan and receivables book (net) to ₱153.56 billion as of 30 June 2026 while keeping its Gross NPL ratio relatively stable from 3.09% as of 31 December 2021 to 1.43% as of 30 June 2026.

BankCom asset quality metrics fare positively compared to the industry. As of 30 June 2026, BankCom's Gross NPL Ratio stood at 1.43% compared to 3.02% the average for Universal and Commercial Banks (as reported by BSP).

8.5.4 High performing management team overseen by seasoned and experienced Board

BankCom's management team and Board of Directors comprise highly experienced individuals with an average of more than 20 years of sector expertise and proven abilities to grow the business. Its members have track records of delivering on business plans and achieving results, while prudently assessing risks in an increasingly complex

and regulated banking environment. Notably, the current management team has achieved compound annual profit growth exceeding 30% since assuming leadership in 2018.

The Bank's day-to-day business is based on a streamlined management structure and managed by officers who have extensive experience in banking operations from leading universal and commercial banks in the country across key areas including retail and wholesale banking, treasury, trust, risk and compliance. Given the experience and track record of BankCom's senior management, the Bank believes that it possesses extensive knowledge of all aspects of the banking industry, strong relationships and familiarity with the Bank's target clients and their banking needs, rapport with other banks and financial institutions, and harmonious relationships with regulators. Additionally, the Bank's senior management team regularly meets and coordinates in order to increase productivity and efficiencies across the Bank's various business units.

8.5.5 Strategic and well-balanced branch network footprint

BankCom believes that its branch network has a strategic and well-balanced geographical footprint. The Bank's branches are strategically located to maximize market potential and offer accessibility to both existing and potential customers. As of 30 June 2026, the Bank has a consolidated network of 142 branches – inclusive of the main branch, 139 regular branches, and two (2) branch lite units – as well as 278 ATMs and cash kiosks. Of its branches, 63 are located in Metro Manila, 43 are located in Luzon (outside of Metro Manila), 23 are located in Visayas and 13 are located in Mindanao.

The diversity and expanse of the Bank's geographical footprint is aligned with the nationwide reach of the SMC ecosystem, allowing the Bank to maximize its synergies and cross sell with the SMC Group and the broader SMC ecosystem. Furthermore, the branches of BankCom are strategically located in areas outside Metro Manila particularly in emerging high growth regions, which enables the Bank to capitalize on the robust development of these areas. More than half or 56% of the Bank's branches are located outside the National Capital Region.

The Bank believes that its presence in key provincial markets places it in a unique position, allowing it to cultivate fruitful and long-term relationships with clients in such areas that are difficult for other players to replicate. Further, the Bank believes that the strategic and convenient locations of its branches in such areas, being close to local town centers or at key crossroads of commerce, is a compelling factor to sustain the loyalty of its existing clientele and to attract new customers.

8.5.6 Upgraded Core Banking System and continued investments in technology, cybersecurity, and automation

In August 2025, BankCom has completed its migration to a new core banking system – replacing legacy infrastructure and upgrading its entire branches and ATM fleet to more advanced systems that will enable the bank to deliver the best financial solutions for customers nationwide.

The Bank teamed up with both Infosys – an industry leader in digital banking solutions – and IBM – leading provider of global hybrid cloud and AI – to rollout the upgrade.

Likewise, our roadmap for the Enterprise Fraud Management System which we rolled out in 2024 would bring in more channels and interfaces to other systems to each scope. Not only will this enable us to fight fraud more effectively, but also it will enhance our capability to implement the Bangko Sentral's more stringent requirements for financial consumer protection.

Collectively, these initiatives would elevate customer experience, improve operational resilience, and position the Bank to scale its digital capabilities in support of long-term growth.

8.6 STRATEGIES

BankCom's strategic vision is to grow in the coming years to achieve economies of scale, improve efficiency, and be at par with the country's leading domestic banks. Within this time horizon, BankCom also envisions to enter

into a new era of growth as it upgrades to a universal bank and maximizes the additional products, services and functions allowed in its universal banking license. BankCom aims to achieve sustainable growth across its business segments. The Bank's strategies to achieve its objectives are set forth in greater detail below.

8.6.1 Achieve scale and sustainable growth / client expansion by leveraging the broader SMC ecosystem

The Bank will continue to leverage the SMC ecosystem as an integral part of its growth strategy.

The Bank aims to maximize potential synergies and opportunities with supply chains and payments streams within the SMC ecosystem including, dealers, vendors, suppliers, employees, and customers.

This includes tapping the financing needs of SMC ecosystem's third-party vendors and suppliers. In addition, BankCom is currently onboarding the payroll processes of SMC affiliates and subsidiaries. This allows the bank to have a larger deposit base to utilize for its loan books.

BankCom's management is mandated by the Board of Directors to optimize the relationship with the players in the supply chain of the SMC ecosystem. Moreover, as bulk of these potential customers from this segment, operate within the middle market, this potential creates a source of better interest rate margins for the Bank as well as a more diversified and stickier deposit base.

8.6.2 Leverage the universal banking license to expand product suite and service offering

The Bank views the UB license as a key catalyst of growth especially in the long-run. The Bank intends to build a franchise around the new products and services that a UB license affords including investment banking services and bancassurance, among others.

Since the effectivity of its UB license, BankCom has engaged in and offered investment banking products and services to capitalize on its client base and management's expertise. These include but are not limited to: (i) underwriting, arranging to distribute (whether on a best-efforts basis), purchasing or selling equity and debt securities of other corporations and/or government securities; (ii) managing and arranging private placements through project finance transactions, syndicated loans, corporate notes and other capital raising initiatives; and (iii) providing financial advisory services across various mandates including mergers and acquisition. To date, the Bank has been actively participating as an issue manager, underwriter and selling agent in capital market transactions and has been actively leading the syndication and fundraising for the private placement of large-scale project finance transactions. The Bank intends to continue its involvement in these types of transactions, with the aim of establishing arobust track record and strengthening its expertise in investment banking. In addition, the Bank recognizes that participating in these transactions generates cross-sell opportunities with its Trust, Treasury and Corporate Banking Groups and will look to maximize potential synergies.

The Bank also intends to develop a bancassurance franchise as this business could be a potent source of additional fees income with minimal capital deployment.

8.6.3 Investment in Information Technology Infrastructure and Financial Technology to improve customer service and touchpoints

BankCom sees digitalization or enabling processes thru digital methods as a cornerstone of its long-term strategy and a key enabler of long-term growth. In the near term, the Bank intends to continue to advance its technological capabilities to support business growth across multiple channels. The Bank expects to utilize digital technology as a major tool, particularly in the areas of fund transfer, deposits, payments, and other transactions. As part of its use of proceeds (₱922 million) from its initial public offering, BankCom spent for the (i) replacement/ additional ATMs and cash deposit machines for branch and offsite locations and is in the process of (ii) upgrading its core banking system, establishing an Application Programming Interface (API) standards, and a data warehouse which will serve as foundations for ease of interoperability and data analytics. The Bank believes that these initiatives

make it well-placed to efficiently implement its continued goals of further large-scale expansion, business diversification, and efficient service delivery.

The Bank's network of branches and ATMs is complemented by its infrastructure platform and alternative channels including mobile and internet banking that offers convenient, low-cost and secure transaction capabilities that enhance overall customer experience and improves customer loyalty and retention. This allows for a strong deposit gathering capability and an ability to cross-sell and distribute existing and potential fee-generating products such as trust and credit cards. These highly automated platforms minimize transaction costs within the Bank's network, enable comprehensive function with regard to electronic payments and cash management services for corporate clients and generate substantial fund flow from both retail and corporate customers. In addition, the Bank believes that its roll-out of credit card products in 2015 further enhanced its client retention and profitability.

BankCom started the digital journey by launching its mobile banking app in 2020. In 2023, BankCom continued its digital transformation with an ATM Fleet replacement complemented by installing Cash Kiosks to expand its capability beyond just cash dispensation. This channel is to be supported by a change of first-generation core banking system to a current third generation core banking system and electronic channels for onboarding customers to unleash the capabilities of integration of retail loan products, such as, consumer loans, credit cards and provide the bank with low-cost funds and growth in CASA deposits. All of these products and services are connected with an Open Banking Framework for API interactions with select financial services partners to deliver cohesive banking services and promoting a positive and integrated customer experience.

The Bank also intends to maximize digitalization and other IT-related synergies with the SMC Group and SMC ecosystem. This includes the use of BankCom's Personal Online Banking (POB) and Corporate Internet Banking (CIB) applications which can cater to the daily transactional needs of its employees and corporate partners, respectively.

8.6.4 Increase profitability through Return-on-Equity expansion as well as growth of fee income business

As part of the strategy to improve its profitability, the BankCom has set initiatives in place to drive fee-based income growth from various businesses, including: foreign exchange flows, trade finance fees from off-balance sheet accounts, the Trust group, remittance, credit cards and other high-yielding products and services that generate fee-based income

However, due to the challenging market conditions, the Bank was affected by heightened market volatility arising from prolonged geopolitical tensions in the Middle East, which resulted in manageable mark-to-market losses on its trading and investment securities portfolio.

As a result, Other income declined to ₱785.38 million in 1H 2026 from ₱912.52 million in 1H 2025, mainly due to trading losses and lower valuation gains on investment securities amid challenging market conditions. Despite this decline, the Bank's diversified revenue base continued to provide resilience. Foreign exchange gains increased by 5.90% to ₱109.58 million from ₱103.48 million in the same period last year, underscoring the resilience of its treasury operations and ability to capitalize on market opportunities. Gains on foreclosure, and sale of property and equipment and foreclosed assets increased by 18.01% to ₱340.69 million, driven by higher revenues from the sale of bank foreclosed assets. In addition, the Bank recorded higher miscellaneous income of ₱65.36 million, 40.14% higher from ₱46.64 million in the same period last 2025, due to recoveries on charged off assets. These revenue streams mitigated the impact of trading losses.

Additional sources of fee income are underway as the Bank forays into investment banking and bancassurance through the universal banking license, as well as the entailed auxiliary/supporting businesses such as its Trust Group which intends to build up its investment securities portfolio while diversifying its holdings into better yielding corporate and sovereign issues that would generate more fees from bond trading and distribution

8.6.5 Build deeper relationships and activate cross sell opportunities by putting the needs of customers on the forefront

BankCom's commitment to providing superior service to valued customers is ingrained in the Bank's service DNA with its corporate tagline, "We think customers". This sums up the Bank's brand and service promise – putting customers' welfare first and keeping in mind what matters to them most – their families, businesses, communities and their futures. BankCom is committed to providing its customers the very best.

BankCom believes that its service culture allows the Bank to create more meaningful connections with clients and allows its sales teams to manage clients on a holistic level, anticipate and understand clients' needs better and foster relationships that unlock continued brand loyalty and support over the long-term thereby unlocking more value from each client relationship, The Bank believes that its existing customer base has significant potential for cross-selling opportunities and intends to intensify its cross-selling efforts with its existing customers.

The Bank also plans to focus its efforts in cross-selling its full suite of products including consumer loans, cash management solutions, electronic remittance channels, wealth management and investment products, and trust as well as other products and services that will be available to the Bank when it gains universal banking status including bancassurance, among others.

The Bank also intends to apply the same service framework across the SMC ecosystem to unlock more cross selling opportunities and expand its client base. These would include, contractors and dealers, to whom the Bank can provide the following services and products: automatic debit arrangement, retail deposits, consumer finance (home and auto loans), credit cards, and trust investments.

8.6.6 Shareholders' commitment to environmental, social, and governance ("ESG") framework and regulatory compliance and advancing the culture of "malasakit"

BankCom sees sustainability both as our responsibility to manage environment and social impacts of our activities and operation as well as an opportunity to pursue success that benefits not only our stakeholders but also contributes to the greater sustainable development agenda. Bank of Commerce is one with the Bangko Sentral ng Pilipinas (BSP) in recognizing the critical role the financial industry plays in pursuing sustainable and resilient growth for Filipinos under the Philippine Development Plan.

To advance the Bank's commitment to sustainable development, the Bank continues to implement policies and programs to integrate sustainability principles in its corporate governance, risk management, business strategy, and operations, attuned to the directives issued by its regulators, National Government decrees, and sustainability programs and initiatives of San Miguel Corporation of which it is an affiliate. This includes set up of a governance structure to drive ESG in the organization, developing and implementing environmental and social (E&S) risk measurement tools and systems to guide the Bank in decision making and building the internal capability of employees to promote a culture that fosters environmentally and socially responsible business decisions throughout support units and operations. We also communicate our sustainability efforts and initiatives with transparency and consistency across all channels and contribute to the sustainable development agenda in how we design and deliver our products and services.

The Bank is committed to stewardship and advancing the spirit of Malasakit, an inherent quality shared with its parent company, San Miguel Corporation. Anchored on the values of commitment and social consciousness, BankCom's Corporate Social Responsibility (CSR) initiatives focus on supporting community development, promoting financial literacy and environmental stewardship, and advocating volunteerism and engagement with its employees. It is within these core themes that the Bank plans and supports CSR programs and activities. The Bank continues to advance financial literacy by conducting financial education sessions with various groups including students, mothers, and employees to impart valuable lessons in saving for the future and basic entrepreneurial skills. As part of San Miguel Corporation, some of the beneficiaries of these sessions are members of Better World communities being supported by the San Miguel Foundation (SMF) and employees from within

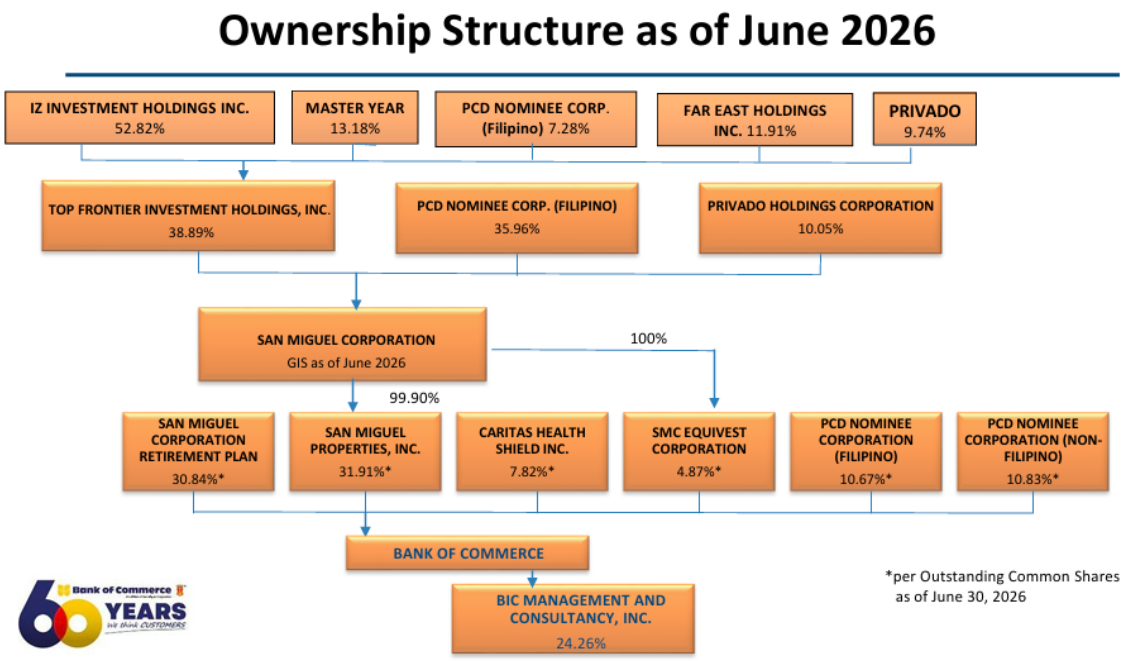
the SMC group. BankCom also actively participates in environmental activations by SMF such as tree planting and coastal cleanup while organizing its own annual seed potting and tree planting activities. For education, the Bank is involved in the Adopt-a-School Program and school kit packing, plus supports safety programs for young learners in the Philippines.

Furthermore, the Bank sustains its resiliency and stability while balancing the interests of its stakeholders through policies, processes, practices, and framework that dictate its corporate behavior and activities. It is the policy of BankCom to establish and uphold the highest standards of ethical behaviors among its employees, management, and the Board. The Bank discourages situations or conditions that would result to, or create conflict of interest between BankCom and its employees. In addition, the Bank has adopted a Manual on Corporate Governance, updated annual as may be necessary, to incorporate significant changes brought about by new legislations, regulations, or best practices. All employees are enjoined to uphold the best interest of the Bank. The Bank extends its governance standards to service providers, suppliers and vendors, through mechanisms such as the Supplier Sustainability Questionnaire and Bank of Commerce Policy on Solicitation and Acceptance of Gifts.

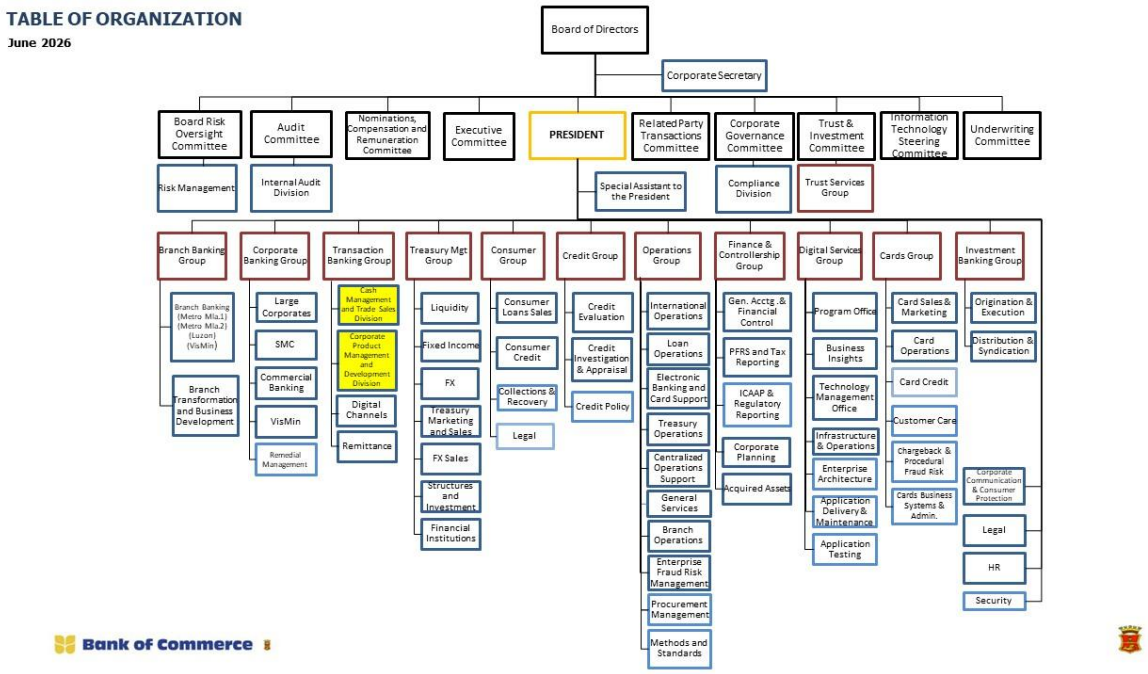
On regulatory compliance, the Bank requires Directors and members of Senior Management to undergo periodic training programs particularly focused on regulatory policy updates and requirements, such as but not limited to, anti-money laundering and terrorist financing, risk management practices, governance, ethical standards, and supervisory expectations.

8.7 GROUP AND ORGANIZATIONAL STRUCTURE

The following shows the shareholding structure of the Bank and its associates as of 30 June 2026:



The following chart sets forth an overview of the organizational structure of the Bank and its principal activities as of 30 June 2026:



8.8 ASSOCIATE

The Bank has an equity investment in BIC Management and Consultancy Inc., (formerly BIC Investment and Capital Corporation) in which it holds shares amounting to 24.26% of the outstanding capital stock as of 30 June 2026. The Bank also has 3.7% equity interest in Banco National de Guinea Equatorial (BANGE) under a partnership agreement with Universal Exchange Corporation (UEC). The Bank does not have control and participation in the operations of the aforementioned entities. Further, the Bank does not have any subsidiaries.

8.9 BANKING PRODUCTS AND ACTIVITIES

8.9.1 Overview

The Bank's principal areas of business are retail or branch banking, transaction banking, corporate banking, consumer loans, cards, treasury, cash management, remittance, trust services, and investment banking services. These products and services are delivered through various channels such as branches, internet banking, ATM machines, and through agent partners. The list of products and services is enumerated below.

8.9.2 Retail Products

- Savings Account with Debit Card (Mastercard)
- Savings Account with Passbook
- Savings Account Plus
- Checking Account
- Complete Checking Account
- ElitePlus Checking Account
- Executive Payroll Account
- US Dollar Savings Account
- Euro Savings Account
- Yuan Savings Account
- Japanese Yen Savings Account
- Junior Smart Savers Savings Account
- One Passbook Investment Account
- Time Deposit

- One-Year Time Deposit
- Future Secure Time Deposit
- US Dollar Time Deposit
- Euro Time Deposit
- SSS Pension Account
- US Veterans Pension Savings Account (₱ and USD)
- Payroll Savings Account
- Philippine Retirement Authority (PRA) Savings and Time Deposit Accounts (₱ and USD)
- Long Term Negotiable Certificate of Time Deposit
- Corporate Savings Account
- Corporate Savings Account Plus
- Corporate Checking Account
- Corporate Checking Account Plus with Corporate Access Number

8.9.3 Corporate Banking

- Back to Back Loans
- Domestic Bills Purchase
- Export Bills Purchase
- Export Packaging Credit
- Foreign Currency Denominated Loan
- Hauler's Financing Program
- Domestic and Foreign Standby LC / Bank Guarantees
- Trade Financing with Trust Receipt
- Petron Dealers' Financing Program
- P.O. Financing for Cassava Assemblers
- Small Business Loan – Term Loan
- Small Business Loan – Business Credit Line
- San Miguel Corporation (SMC) and Eagle Cement Corporation (ECC) Ecosystem
- Financing Program
- SMC Dealers' Financing Program
- Term Loan (Capital Expenditure Financing / Project Financing
- Working Capital Loan (Promissory Note Line)

8.9.4 Consumer Loans

- Home Loan
- Auto Loan
- Salary Loan

8.9.5 Credit Card

- Bank of Commerce Mastercard
  - Classic
  - Gold
  - Platinum
  - World

8.9.6 Trust Products and Services

- Unit Investment Trust Funds
  - Diversity Money Market Fund

- Diversity Peso Bond Fund
- Diversity Dollar Bond Fund
- Diversity Dividend Focused Fund

  * All UITFs can be enrolled in the Easy Investment Plan (EIP) to regularly subscribe or invest

- Trust and Other Fiduciary Services
  - Personal Management Trust
  - Employee Benefit Trust
  - Trust Under Indenture
  - Collateral Trust
  - Special Purpose Trust/Other Institutional Trust
  - Safekeeping
- Investment Management Account
  - Discretionary
  - Discretional/ Non - Discretionary
- Other Agency Accounts
  - Facility / Loan Agency
  - Escrow Agency
  - Buyer and Seller Escrow
  - POEA Escrow
  - BIR Escrow
  - HLURB Escrow
  - Source Code Escrow
  - Other Escrow Accounts

8.9.7 Treasury Products

- Fixed Income Government Securities (Peso / Dollar)
- Corporate Bonds
- Foreign Exchange

8.9.8 Investment Banking Services

- Financial Advisory
- Issue Management, Underwriting and/or Arrangement of Debt and Equity Instruments
- Placement/Selling of Debt and Equity Instruments

8.9.9 Transaction Banking

- *Cash Management Services*
  - *BankCom PAY*
    - *cashPAY*
    - *directPAY*
    - *checkPAY*
    - *govPAY*
  - *BankCom COLLECT*
    - *depositCOLLECT*
    - *directCOLLECT*

- *BankCom Business*

- *Digital Channels*
  - *BankCom [Personal] – Retail Online Banking (Web and Mobile App)*
  - *BancNet Point of Sale*
  - *Automated Teller Machines (ATM)*
  - *Cash Deposit Machines (CDM)*
  - *Payment Solutions*

- *Remittance Services*
  - *SikapPinoy OFW Account*
  - *SikapPinoy Asenso Program*
  - *SikapPinoy Domestic Remit*
    - *Cash Pick-up at RD Pawnshop*
  - *SikapPinoy International Remit*
    - *Credit to Accounts with Bank of Commerce*
    - *Credit to Accounts with Other Philippine Banks via PesoNet*
    - *Credit to Accounts with Other Philippine Banks via Instapay*
    - *Credit to Mobile Wallets (GCash, Maya, Coins.ph, GrabPay*
    - *Cash Home Delivery*
    - *Cash Pick-up Services via Bank of Commerce branches from International Remittance Partners**
    - *Cash Pick-up Services via Philippine Payout Partners:*
      - ✓ *M Lhuillier*
      - ✓ *Cebuana Lhuillier*
      - ✓ *LBC Express*
      - ✓ *Palawan Pawnshop*
      - ✓ *RD Pawnshop*
  - *E-Government Payments of OFWs through International Remittance Partners**
    - *SSS Contributions / Loan Payments*
    - *Philhealth Contributions*
    - *Pag-IBIG Contributions / Loan Payments*

**International Remittance Parnters:*

- ✓ *Arab National Bank – TeleMoney (Kingdom of Saudi Arabia)*
- ✓ *Bank AlBilad – Enjaz (Kingdom of Saudi Arabia)*
- ✓ *Family Express (Canada)*
- ✓ *Eastern & Allied Pty Ltd – HaiHa Money Transfer (Australia)*
- ✓ *U Remit International Corp. (Canada)*

- ✓ *Uniteller*
- ✓ *Speed Money Transfer (Japan)*
- ✓ *Forex Sporty*
- ✓ *RPS Remit*

- *International Trade Services*
  - *Import*
    - *Import Letter of Credit*
    - *Standby Letter of Credit (SBLC) / Bank Guarantees*
    - *Import Collections*
    - *Documents Against Payment (DP)*
    - *Documents Against Acceptance (DA)*
    - *Trust Receipt Loan*
    - *Payment Abstract Secure (PAS6) Enrollment and Bureau of Customs Duties & Taxes Payment*
    - *Shipside Bond Guarantee*
    - *Airway Bill Endorsement*
    - *Foreign Exchange (FX) Purchase for Advance Payment of Importation*
    - *Direct Remittance (DR)*
    - *Open Account (OA) Agreement*
  - *Export*
    - *Export Bills for Collection*
    - *Export Bills Purchased*
    - *Export Advances*
    - *Export LC Advising / Confirmation / Transfer*
  - *Domestic*
    - *Letter of Credit*
    - *Standby Letter of Credit / Bank Guarantees*
    - *Negotiation of Domestic Letter of Credit*
  - *Supply Chain*
    - *Trade Finance Receivable*

**Available in Corporate Internet Banking*

The following table sets out the amounts for statement of income items generated by each of these businesses in 30 June 2026 and the years ended 31 December, 2023, 2024, and 2025.

	June 30, 2026 (Unaudited)					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P1,751	P4,751	(P1,348)	P773	P186	P6,113
Intersegment	(1,409)	(3,834)	4,971	(605)	877	-
Net interest income	342	917	3,623	168	1,063	6,113
Non-interest income	(24)	33	29	23	724	785
Total revenues	318	950	3,652	191	1,787	6,898
Compensation and fringe benefits	16	20	284	46	1,295	1,661
General and administrative expenses	48	9	691	26	933	1,707
Taxes and licenses	132	220	318	42	(25)	687
Total expenses	196	249	1,293	114	2,203	4,055
Income (losses) before provision for credit losses and income tax expense	P122	P700	P2,359	P77	(P416)	P2,843
Provision for credit and impairment losses						P8
Share in net loss of an associate						-
Income tax expense						726
Net income						P2,109

	December 31, 2025					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P2,787	P9,170	(P2,840)	P1,355	P306	P10,778
Intersegment	(2,447)	(7,554)	9,172	(1,061)	1,890	-
Net interest income	340	1,616	6,332	294	2,196	10,778
Non-interest income	348	52	67	96	1,267	1,830
Total revenues	688	1,668	6,399	390	3,463	12,608
Compensation and fringe benefits	29	38	588	86	2,296	3,037
General and administrative expenses	87	20	1,268	48	1,835	3,258
Taxes and licenses	295	423	445	79	(119)	1,123
Total expenses	411	481	2,301	213	4,012	7,418
Income (losses) before provision for credit losses and income tax expense	P277	P1,187	P4,098	P177	(P549)	P5,190
Provision for credit and impairment losses						P382
Share in net loss of an associate						1
Income tax expense						1,267
Net income						P3,540

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

	December 31, 2023					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P2,908	P7,049	(P2,707)	P958	P88	P8,296
Intersegment	(2,269)	(5,723)	7,021	(662)	1,633	-
Net interest income	639	1,326	4,314	296	1,721	8,296
Non-interest income	140	73	96	52	1,318	1,679
Total revenues	779	1,399	4,410	348	3,039	9,975
Other expenses	357	364	2,171	184	3,083	6,159
Income (losses) before provision for credit losses and income tax expense	P422	P1,035	P2,239	P164	(P44)	P3,816
Provision for credit and impairment losses						P79
Share in net loss of an associate						1
Income tax expense						934
Net income						P2,802

8.9.10 Corporate Banking Group

Corporate Banking Group ("CBG") principally handles loans and other credit facilities for corporate institutional, and middle market clients. The Group continues to pursue lending activities which support working capital and capex requirements of its clients. Embedded in its strategy is the aggressive expansion and further diversification of its credit portfolio with the intention of gradually reducing exposure to affiliate accounts.

CBG is focused on two major activities. The first is focused on building a loan portfolio comprised of non-affiliate counts across multinationals and other conglomerates, large corporates, and SME market accounts, initially this will focus on transactions involving clients with dealings with the SMC Group (i.e., suppliers, dealers, distributors "the SMC ecosystem") under the Bank's program lending facilities. The second is to maintain the existing relationship with SMC affiliates (within the constraints of Regulatory Relief) with particular focus on project financing opportunities related to Philippine Government priorities.

8.9.11 Branch Banking Group

In 2025, the Branch Banking Group (BBG) delivered strong and balanced growth, reinforcing its vital role in the Bank's business performance. Despite a highly competitive operating environment, BBG achieved record CASA growth of ₱21.39 billion, bringing total CASA ADB to ₱123.15 billion, while the successful Accelerate Your Savings (AYS) Promo generated significant incremental deposits and attracted over 46,000 qualified customers.

BBG also sustained growth across its retail business lines, generating ₱6.40 billion in revenues and ₱4.10 billion in net income before provisions and tax, while expanding its consumer lending portfolio of 3.38B and acquiring 7,822 new credit card customers. Cross-selling initiatives likewise delivered strong results through Trust, Foreign Exchange, and Investment Banking referrals, further strengthening fee-based income generation.

Supporting long-term growth, BBG continued to enhance the productivity and profitability of its branch network through disciplined sales execution, stronger customer engagement, and improved operational efficiency. Network expansion remained a key priority, with the opening of new Branch Lite Units (BLUs) in Caticlan Airport, NAIA Terminal 3 Departure, Binangonan, and Catbalogan, complemented by the strategic relocation of six branches to improve market reach, visibility, and customer accessibility.

As of June 2026, BBG delivered strong business performance, maintaining a robust funding base with ₱202.59 billion in low-cost deposits and ₱21.05 billion in time deposits. Consumer banking likewise gained momentum, with the loan portfolio reaching ₱1.20 billion and credit card accounts expanding to 4,056. These achievements reflect BBG's sustained efforts to drive deposit growth, expand retail banking relationships, and support the Bank's overall growth strategy.

This year, BBG accelerated its ecosystem banking strategy by harnessing the vast business network of San Miguel Corporation (SMC). Through targeted engagement with dealers, suppliers, distributors, contractors, and other ecosystem participants, the Group successfully expanded its customer franchise and strengthened its position within one of the country's largest business ecosystems.

This strategic initiative translated into increased client acquisition, higher transaction volumes, stronger deposit generation, and deeper customer relationships across the branch network. By providing accessible and relevant financial solutions to SMC-affiliated businesses, BBG reinforced its role as a trusted banking partner while creating new avenues for sustainable business growth.

The success of this ecosystem-driven approach highlights the value of the Bank's strategic alignment with SMC, enabling BBG to capitalize on cross-business synergies, enhance market penetration, and contribute meaningfully to the Bank's overall growth and market share expansion. Through these efforts, BBG continues to advance its vision of becoming the preferred banking partner for enterprises and communities within the broader SMC ecosystem.

BBG further strengthened client relationships through executive-led customer engagement activities across key markets nationwide, reinforcing the Bank's customer-centric approach and deepening relationships with clients and communities.

These accomplishments underscore BBG's continued commitment to sustainable growth, customer-focused service, and value creation, reflecting its significant contribution to advancing the Bank's strategic objectives and long-term success.

8.9.12 Transaction Banking Group

Transaction Banking Group has four divisions that caters to both corporates and retail segments. For corporate, it offers trade and cash management solutions for large, middle markets and SMES. For retail, it offers its online banking for its customers, may they be based in the Philippines or elsewhere, provided they have an account with

the bank. TBG is also a niche player in the remittance world that offers accessible channels to our OFWs. Because of the solutions it offers, the primary revenue drivers for this group is from deposits, contingent, fees and FX.

As of the latest, deposit platforms such as BankCom Business and BankCom Personal Online Banking have been driving its growth for TBG, whereby more customers are using it either to view balances, pay suppliers, billers, and government agencies, transfer funds to other banks via Instapay and Pesonet (or via QRPH). BankCom Personal, the online banking channel for retail customers have actually onboarded 198k clients, who's payment function specially on Instapay and Pesonet continuous to grow specially because of the waived fees starting July 2026. This channel also offers close to 200 billers with prepaid load for most telecom companies like PLDT, Smart, Globe and Dito. For BankCom Business, for as long as a corporate has a Peso, USD, Yen, Euro account with the bank, any business client can see this without the hassle of going to the branch. If they are an ecosystem, they can also pay SMC using this facility. Cash Management, through its disbursement solution has 60 releasing sites nationwide. Other channels such as ATM and Cash Kiosk have also been contributing to the revenue growth of TBG specially on fees, considering almost 12 machines have been recently deployed in our New NAIA airport.

Though trade has been growing especially on the SMC side, because of the recent war in the Middle East, this year has been challenging for this business due to slow economic activity and delay on importations. Despite this, the team has booked more 50 customers, primarily on the domestic front specially if they are required to provide guarantees and standby letters of credit. TBG's remittance also suffered a bit also brought by the war, whereby the demand for OFWs in KSA became slower. This caused a huge decrease on its transaction volume though the team continues to exert more effort on certain markets whereby remittances continue to increase like those from Japan and Australia.

8.9.13 Investment Banking Group

The Investment Banking Group ("IBG") was established in 2022 when BankCom received its universal banking license thus enabling it to enter the investment banking space. It started with capital markets transactions serving as selling agent or underwriter in SEC-registered transactions. It has since branched out into other areas including debt arrangement, loan syndication, and advisory services.

IBG generated fee revenues of ₱293 million in 2024 and ₱175 million in 2025. Adding to its growing arsenal of industry recognition, BankCom as an institution was awarded Top 5 Corporate Issue Manager / Arranger for 2025 (Bank Category) by the PDS Group. BankCom also received recognition in 2026 for transactions it had led and participated in through IBG: *Alpha Southeast Asia* Most Innovative Equity Deal of the Year and *Asian Banking & Finance* Innovative Deal of the Year for the San Miguel Corporation Series Preferred Shares Exchange Offering and Follow-on Offering; and *Alpha Southeast Asia* Best Deal of the Year in the Philippines for the maiden bond offering of SMC Tollways Corporation

8.9.13.1 Public Capital Raising

BankCom, through IBG, acted as Joint Lead Underwriter and Joint Bookrunner for the Petron Corporation Series G, H & I Fixed Rate Bonds, which was listed on the Philippine Dealing Exchange on July 7, 2025. This was the first corporate bond offering of Petron Corporation since 2021.

Following this successful run, BankCom, through IBG, acting as Financial Advisor and as Joint Issue Manager and Joint Lead Underwriter & Bookrunner, led the San Miguel Corporation Series 2-P, 2-Q and 2R Preferred Shares Exchange Offering and Series 2-S, 2-T and 2-U Preferred Shares Follow-on Offering. This was listed on the Philippine Stock Exchange on October 24, 2025, and was the first of its kind by a private company in the Philippine market - simultaneously executing an exchange and a follow-on offering to drive capital market activity.

BankCom continues to expand its reach in capital markets space in 2026 – kicking off the year as Selling Agent for the Series A & B Fixed Rate Bonds of Rockwell Land Corporation; and supporting the return of San Miguel

Global Power Holdings Corp., to the debt capital markets, acting as Joint Issue Manager and Joint Lead Underwriter and Bookrunner for the power arm's Series N, O & P Fixed Rate Bonds.

A series of capital marked-adjacent transactions were also led by IBG in 2025 and 2026, through the respective consent solicitation exercises of San Miguel Corporation and San Miguel Global Power Holdings Corp., further strengthening BankCom's execution track record as IBG acted as Joint Solicitation Agent.

8.9.13.2 Private Capital Raising

IBG has proven its expertise in the private capital space by arranging transactions for nation-building initiatives such as financing for the construction and development of a 600MW power plant by Mariveles Power Generation Corp., and the 28 MW expansion of a hydroelectric power plant. Through innovative capital solutions, BankCom through IBG has provided financing for various corporate borrowers in tandem with its Corporate Banking Group and alongside some of the largest banks in the country.

8.9.13.3 Continued Growth

2025 has been a year of exceptional growth in terms of deals and roles taken by IBG. The group eyes to continue this trajectory in the coming years as it builds its pipeline, paves its track record in other product offerings such as Advisory and Equity Capital Market transactions, and establishes its foothold in the capital raising activities of a wider universe of corporate issuers.

8.9.14 Treasury Management Group

For the six months ended June 30, 2026, TMG managed to grow its interest income from investment securities measured at fair value through other comprehensive income (FVOCI) and at amortized cost increased by 34.66% to ₱1.98 billion from ₱1.47 billion in the same period last year, primarily driven by additional investments in government securities booked at amortized cost. Investment securities at amortized cost increased by 18.94% to ₱49.21 billion from ₱41.37 billion in 31 December 2025. Meanwhile, interest expense from deposit liabilities rose at a minimum through disciplined cost management. These helped the Bank achieve a net interest margin (NIM) of 4.68%, its highest since SMC acquisition, Geopolitical tensions in the Middle East kept bond yields elevated resulting in ₱137.12 million trading losses. This transpired despite reduction in financial assets at fair value through profit or loss (FVPL) from ₱5.17 billion to ₱3.78 billion. Its financial assets through other comprehensive income (FVOCI) likewise were trimmed down to ₱31.75 billion from ₱35.02 billion. These reductions were aimed at mitigating the impact of the Middle East crisis. However, despite this move, the Bank's total comprehensive income went down to ₱701.74 million, 66.32% down from the ₱2.08 billion in the same period last year largely due to unfavorable movements in the fair value of FVOCI debt securities. On the other hand, investment in securities at amortized cost increased by 18.94% to ₱49.21 billion from ₱41.37 billion as of 31 December 2025 as TMG locked in attractive yields to further support the Bank's interest income. Foreign exchange gains increased by 5.90% to ₱109.58 million from ₱103.48 million in the same period last year, underscoring the resilience of its treasury operations and ability to capitalize on market opportunities.

8.9.15 Consumer Group

The Consumer Group ("CoG") operates a diversified retail lending franchise focused on addressing the essential financing requirements of individual customers through Home Loans, Auto Loans, and Salary Loans. These core products continue to serve as important enablers of home ownership, personal mobility, and liquidity needs for Filipino households, while providing the Bank with a resilient and recurring source of earnings.

As of June 2026, CoG sustained its growth trajectory despite a more challenging operating environment characterized by elevated global geopolitical uncertainty, persistent inflationary pressures, and heightened consumer caution arising from developments in the Middle East. Against this backdrop, CoG demonstrated business resilience and disciplined execution, expanding its consumer loan by 7.6% from year-end 2025 levels.

Portfolio expansion was driven primarily by sustained production in Home Loans and Auto Loans, supported by the Bank's continuing partnerships with leading property developers and automotive dealers across key growth corridors nationwide. Housing loan origination remained relatively resilient, benefiting from underlying structural demand for home ownership and the Bank's growing presence in emerging regional growth centers. Auto loan production continued despite industry headwinds, with lending activity concentrated among established automotive brands that maintained market strength amid changing consumer preferences.

Earnings generation remained positive during the first half of the year. Interest income increased by 18% improvement over the same period in 2025, reflecting the larger earning asset base and continued portfolio expansion. Net interest income also strengthened year-on-year despite competitive funding costs and a more cautious pricing environment.

The Group continued to prioritize prudent portfolio management amid evolving economic conditions. Recognizing the potential lagged effects of geopolitical developments and higher household expenses on borrower repayment behavior, management intensified portfolio monitoring and early-stage delinquency surveillance, particularly within the Auto Loan segment where repayment sensitivity is generally higher. Despite these external pressures, asset quality remained strong. The non-performing loan ratio, net of fully provided accounts, substantially outperformed industry norms, This performance underscores the effectiveness of the Bank's underwriting standards, proactive collection strategies, and disciplined risk governance framework.

Supported by a targeted pipeline of new bookings, a geographically diversified origination strategy, and strengthened risk management practices, the Group is well-positioned to continue expanding its franchise while safeguarding asset quality. Its balanced approach to growth, profitability, and risk management reinforces CoG's role as a significant contributor to the Bank's long-term earnings and a creator of sustainable value for investors.

8.9.16 Trust Services Group

The Trust Services Group (TSG) manages, administers, and safeguards assets on behalf of individuals or corporate clients. The Group's key products and services are Unit Investment Trust Funds (UITFs), Trust and other Fiduciary Services, Investment Management Accounts and other Agency Accounts. As of June 2026, TSG has total Assets Under Management of Php 72.3 billion (a 5.32% increase from 2025) and Trust Fee Income of Php 88.7 million.

Unit Investment Trust Funds (UITFs) continue to have the highest AUM growth, increasing by 109.6% from Php 816 million to Php 1.7 billion, followed by Investment Management Accounts (IMA) which posted a solid growth of 4.81%, ending the period at Php 67.33 billion, marking sustained client confidence and stronger engagement. Other Fiduciary Accounts (TOFA) remained robust at Php 3.27 billion.

Collectively, these results highlight the Trust business's capability to service its clients while maintaining stable revenue generation in an increasingly competitive landscape. Healthy performance across other key trust segments and its strong growth in UITF AUM provide strong momentum in advancing the Group's long-term business objectives, reinforcing its focus on scaling key products, deepening client engagement, and improving the overall profitability and sustainability.

8.9.17 Credit Card Group

The Bank’s Credit Card Group (CCG) offers both credit and debit cards products, services and promos to both individual and corporate clients of BankCom. Credit Card billings was at ₱3.49 billion for the period ended 30 June 2026, reflecting the active cardholder base and successful marketing campaigns launched throughout the year. The consistent growth of billings and revenues is expected to continue as we build better card products and features. With the support of digital development and enhancement, BankCom is now able to provide online access to credit card accounts, a result of the continued efforts of CCG to build a stronger cards business.

Debit cards also performed for the period ended 30 June 2026, reaching ₱1.29 billion in retail billings and generating ₱6.85 million in commission revenue. Debit card usage campaigns focused on online use, creating better customer product understanding, building the easy, convenient, and safe way to pay.

The Cards business will continue to grow guided by a seasoned and adaptive management team, and most importantly, with the customers always in mind.

8.10 EMPLOYEES

As of 30 June 2026, the Bank had a total of 2,160 employees, 1,126 of which are engaged in a professional management capacity and classified as bank officers, and 1,034 were classified as rank-and-file employees.

The Bank fosters positive relations with and among its employees. It ensures that appropriate training and employee relations activities are available to employees at all levels.

The Bank's staff employees are members of the Bank of Commerce Employees Union ("BCEU"), except for employees holding confidential positions and belonging to the Digital Service Group. BCEU has been the sole and exclusive bargaining representative for all the regular rank-and-file employees of the Bank since 22 July 1986. The Bank and BCEU have a Collective Bargaining Agreement ("CBA") that governs the terms and conditions of employment of the staff. The existing CBA is valid until 30 June 2028.

As of 30 June 2026, BCEU has a total of 791 members. None of the Bank's employees are on strike or have been on strike in the past three (3) years. To the best knowledge of the Bank, as of the date of this filing, there are no outstanding threats to strike from BCEU or any outstanding dispute with the BCEU.

The following table presents the number of employees by category as of the dates indicated:

	As of 31 December			30 June
	2023	**2024**	**2025**	**2026**
Rank and File	997	984	1,013	1,034
Officers	979	1,050	1,100	1,126
Total	**1,976**	**2,034**	**2,113**	**2,160**

8.10.1 Significant Employees

While the Bank values the contribution of each employee, the Bank believes that there is no employee as of the date of this Offering Circular that whose resignation or loss would have a material adverse impact on the business.

8.10.2 Retirement Plan

The mandatory retirement age for a Bank employee is 60. The Bank has a funded non-contributory defined benefit retirement plan covering its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan.

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

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

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

An employee who has at least 5 years of service as a regular employee, shall be eligible to the resignation benefits if he resigns, subject to the pertinent requirements of the BIR.

The Bank's retirement plan is registered with the BIR as a tax-qualified plan and complies with the minimum retirement benefit specified under the law. The retirement fund is managed and administered by the Bank's Trust Services Division which is covered by an Investment Management Account.

8.10.3 Compensation Policy

The Bank observes overall compensation program on par with industry standards and aligned with the requirements of labor laws, rules, and regulations. The program considers performance and is commensurate with the individual's qualifications, experience, and expertise. Corollary to this, the Bank utilizes data gathered from industry survey to ensure that remuneration packages of the employees are within industry standards. Likewise, employee performance is recognized through periodic performance assessments. This process provides the measure for commensurate salary increases and performance bonuses.

8.10.4 Insurance Policy

The Bank provides its regular employees with group life insurance and medical and hospitalization insurance coverage in line with good business practice and in accordance with Philippine standards. Insurance premium payments for these policies are paid entirely by the Bank.

8.11 BRANCH NETWORK

As of 30 June 2026, the Bank has a total branch network of 142 branches nationwide, 63 in Metro Manila and 79 across various cities and provinces. In 2025, the Bank opened two Branch Lite Units (BLU) in NAIA Terminal 3 – Departure, Metro Manila and in Caticlan, Visayas which are both leased premises only.

The following table illustrates the coverage of the Bank's network in recent years and sets forth the number of branches and ATMs as of 31 December 2023, 2024, 2025, and 30 June 2026:

	As of 31 December			30 June
	2023	**2024**	**2025**	**2026**
Metro Manila	62	62	63	**63**
Luzon	43	43	43	**43**
Visayas	22	22	23	**23**
Mindanao	13	13	13	**13**
Total Bank branches	140	140	142	**142**

Moving forward, the Bank aims to expand its reach, gain more market share, and secure its customer base through a coordinated physical and digital strategy which uses relevant, cost-effective technologies to enable a more segment-driven delivery of branch banking services.

8.12 ATM NETWORK

As of 30 June 2026, the Bank has completed re-fleeting its ATM network. The new machines offer advanced security features and a user-friendly touch screen interface that aim to provide an enhanced banking experience that matches the evolving needs of its valued clients.

The ATM re-fleeting project is one of the priority items under the Bank's 5-year IT investment and digitalization program. Almost 300 combined ATMs and cash recycling machines (CRMs) are to be installed within the Bank's branches and strategic off-site locations.

The new ATMs supplied by NCR Corporation, the world's leading enterprise provider of software, hardware and services for banks and other industries, feature enhanced security measures to protect customer transactions and personal information, thereby providing peace of mind to users. Moreover, the user-friendly touch screen interface of the ATMs simplifies the banking process, enabling customers to conveniently perform various transactions such as withdrawals, balance inquiries, fund transfers, among others.

	As of 31 December			30 June
	2023	**2024**	**2025**	**2026**
Metro Manila	103	113	115	**120**
Luzon	90	94	100	**100**
Visayas	33	35	38	**39**
Mindanao	16	25	25	**25**
Total ATMs	**242**	**267**	**278**	**284**

8.13 PROPERTIES

The Bank's head office is located at San Miguel Properties Centre, No. 7, St. Francis Street, Mandaluyong City. Its Main Office Branch is located in the same building.

The Bank leases the premises occupied by most of its branches and area offices. The lease contracts are for periods ranging from 1 to 15 years and are renewable upon mutual agreement between the Bank and the lessors. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 3% to 10%.

The Bank leases out some properties as office space. These non-cancellable have remaining lease terms ranging from 1 to 10 years.

	As of 31 December			30 June
	2023	**2024**	**2025**	**2026**
Owned Branches				
Metro Manila	4	4	4	4
Luzon	3	3	3	3
Visayas	1	1	1	1
Mindanao	1	1	1	1
TOTAL	**9**	**9**	**9**	**9**

	As of 31 December			30 June
	2023	2024	2025	2026
Leased Branches				
Metro Manila	58	58	58	59
Luzon	40	40	40	40
Visayas	21	21	21	22
Mindanao	12	12	12	12
TOTAL	**131**	**131**	**131**	**133**

In addition, the Bank has a total of 2,297 Real and Other Properties Acquired (including memorial lots) for settlement of loans through foreclosure or dacion en pago broken down as follows:

	As of 31 December			30 June
	2023	2024	2025	2026
Condominium	273	247	199	283
Condominium and Parking	23	20	9	23
Condominium Parking	55	53	53	55
Land	1,402	1,442	1,575	1,262
Land and Building	330	326	331	323
Townhouse	60	55	20	68
Memorial	154	155	157	154
e				
TOTAL	**2,297**	**2,298**	**2,344**	**2,168**

8.14 INFORMATION TECHNOLOGY

8.14.1 Digital Initiatives

The Bank continued to make significant progress in its multi-year digital transformation roadmap, focusing on strengthening core platforms and enabling future-ready capabilities.

In 2025, the Bank successfully completed the full migration of its legacy corebanking system to the modern integrated corebanking Finacle system by Infosys running on IBM LinuxOne, for both Deposits and Loan products, accessed centrally by all its branches for tellering and head office booking units, marking a major milestone in the modernization of its banking infrastructure. This upgrade has enhanced system reliability, improved processing efficiency, and laid the foundation for data analytics and scalable digital product innovation.

Building on this momentum, the Bank has initiated the replacement of its **Treasury System**, with development activities currently underway. This new platform is designed to further streamline treasury operations, improve risk management, and provide enhanced analytics to support better trading and liquidity decision-making. Still within 2026, the Bank will commence the rollout of its **New Trust System**, which aims to modernize trust and investment account management and elevate client servicing capabilities. To accelerate digital transformation which required enabling seamless integration between modern and existing systems, internally or externally,

standardized API ready systems are being deployed supported by the API platform which was implemented in mid-2025.

Collectively, with advance analytics and security by design considerations, these digital initiatives position the Bank for stronger operational resiliency, improved customer experience, and sustainable growth in a rapidly evolving financial landscape.

8.14.2 Security Measures

The Bank remains firmly committed to strengthening its security posture and safeguarding both clients and institutional assets. As part of this commitment, the Bank continues to invest in its **Brand Protection subscription**, ensuring proactive monitoring of digital channels to detect and mitigate online threats such as phishing, brand impersonation, and fraudulent domain activity. This investment helps the Bank protect customer trust, reduce reputational risk, and maintain the integrity of its digital presence.

In parallel, the Bank is continuously enhancing its **Fraud Management System**, focusing on the refinement and expansion of fraud detection rule sets. These improvements enable faster detection of suspicious activities, strengthen transaction level risk screening, and provide more adaptive fraud prevention capabilities across channels. By consistently optimizing system rules and leveraging realtime analytics, the Bank ensures stronger operational resilience and more secure experience for customers.

These ongoing initiatives underscore the Bank's commitment to maintaining robust cybersecurity controls and advancing fraud-prevention technologies that align with evolving industry standards and emerging threat landscapes.

8.14.3 Anti-Money Laundering Systems

As part of the Bank's ongoing commitment to strengthen regulatory compliance and safeguard the institution against financial crime risks, significant enhancements were made to the **Anti-Money Laundering (AMLA) systems** in the past year.

The Bank expanded its screening capabilities through the onboarding of **additional watchlist subscriptions**, including **Dow Jones' global sanctions and adverse media lists** and **Online Sexual Abuse and Exploitation of Children (OSAEC)**. These new data sources enhance the system's ability to identify high-risk individuals and entities, improve alert accuracy, and ensure alignment with both international standards and local regulatory requirements.

By enriching its watchlist databases and reinforcing monitoring controls, the Bank strengthens its due diligence processes, supports faster risk identification, and reinforces its commitment to combating money laundering, terrorism financing, and other financial crimes. These upgrades reflect the Bank's proactive approach to compliance and its investment in stronger, more intelligent AMLA capabilities that protect customers, enhance operational integrity, and support sustained trust from regulators and investors.

8.15 INTELLECTUAL PROPERTY

The Bank secured Certificates of Registration from the Intellectual Property Office of the Philippines for the brand names "BANK OF COMMERCE" and "BANKCOM", the latter being the short name of the Bank. This covers the following products and services: banking services; home, automobile, corporate and personal loan; financial services; ATM banking services; credit card services; internet/online banking services; mobile banking services; investment services; and remittance services.

8.16 IT SECURITY, DISASTER RECOVERY, AND BUSINESS CONTINUITY PROGRAM

The Bank maintains an established Business Continuity Management (BCM) Framework designed to ensure the resilience and continuity of its critical operations in the event of operational disruptions, man-made disruptions, natural disasters, system failures, or cybersecurity incidents. The framework defines governance structures, roles and responsibilities, and the policies and procedures to be followed to safeguard the Bank's operations, customers, and stakeholders.

The BCM framework serves as a comprehensive, end-to-end roadmap that addresses preparedness, response, recovery, and continuous improvement. It encompasses five key activities: Business Impact Analysis (BIA) and Risk Assessment (RA), Business Continuity Strategy Formulation, Business Continuity Plan (BCP) Development, Testing and Validation, and ongoing Training, Awareness, and Maintenance.

The Bank integrates information security and disaster recovery consideration into its continuity planning to support the availability, integrity, and confidentiality of its information systems. Business continuity and disaster recovery capabilities are periodically tested and reviewed to validate readiness and to incorporate lessons learned from exercise, incidents, and changes in the Bank's operating environment.

Oversight of the Bank's business continuity and disaster recovery capabilities is exercised by senior management and relevant Board-level committees, ensuring alignment with regulatory expectations and the Bank's overall risk management framework.

8.17 INSURANCE

The Bank reviews cash requirements where it maintains insurance for operational risk through loss or theft by obtaining insurance from third party providers. The Bank has ensured that all its material assets and properties have adequate insurance protection against all applicable risks and any unforeseen circumstances. This is to enough to cover and protect the bank and its operation from equivalent financial losses.

8.18 LEGAL PROCEEDINGS

The Bank is involved in various pending legal proceedings, claims and investigations. Summaries of the more significant of these cases are set out below. Management nonetheless believes that none of the proceedings presently involving the Bank will (even if resolved against the Bank) have a material adverse effect on the Bank's operations, properties, assets, conditions (financial or otherwise), results of operations or profits, or on its ability to discharge its obligations.

8.18.1 Bureau of Internal Revenue - Declaratory Relief

Revenue Regulation No. 04-2011 prescribed allocation of expenses among different income streams of a bank or business unit. Several banks received preliminary or final assessment notices covering deficiency income taxes for the year 2011 following BIR's verification of returns and application of RR 4-2011. The banks filed this petition for declaratory relief to restrain the implementation of the new regulation and annul the same on constitutional grounds.

In May 2018, the trial court issued an order granting the petition and nullified RR 4-2011. The Department of Finance brought a petition for review directly to the Supreme Court praying for the reversal of the trial court's order. In a Decision promulgated on 1 December 2021, the Supreme Court denied the petition and declared the nullity of RR 4-2011.

8.18.2 Anti-Money Laundering Council – Violation of AMLA

The Bank allegedly submitted covered transaction reports ("**CTR**") to the Anti-Money Laundering Council ("**AMLC**") beyond the 5-day reglementary period. The AMLC Secretariat thus charged the Bank with "non-compliance with the requirement to report covered and suspicious transactions," sanctioned as a "major violation" under the Rules on the Imposition of Administrative Sanctions (RIAS) under Republic Act No. 9160, as amended. The Bank responded to the AMLC's charge and explained that it should not be held liable under the RIAS because it had filed CTRs and substantially complied with the requirements of Philippine anti-money laundering laws and regulations. Additionally, the Bank pointed out that it implemented improvements to its reporting system.

Notably, a majority of the universal and commercial banks in the Philippines are faced with the same predicament. While the case was pending, the AMLC issued the Rules of Procedure in Administrative Cases ("**RPAC**") which repealed the RIAS. The RPAC, under Rule 2 Section 3 (e), allows the striking out of a case (as if no case was filed) upon payment of the appropriate assessment, which ranges from ₱5,000,000.00 to ₱10,000,000.00. On motion of the Bank, the AMLC resolved to allow the Bank to avail of this benefit upon payment of P5,000,000.00. The Bank complied through a letter of authority in favor of the Bangko Sentral ng Pilipinas (**BSP**) to debit the assessed amount from its demand deposit account. In December 2021, the AMLC issued a Resolution that the case is stricken from the record.

8.18.3 Presidential Commission on Good Government - Reconveyance of Assets

The Presidential Commission on Good Government ("**PCGG**") brought an action before the Sandiganbayan for reconveyance of assets relative to alleged ill-gotten wealth of former President Ferdinand Marcos claimed to have been deposited with Traders Royal Bank ("**TRB**"). The Bank was impleaded as additional defendant in an amended complaint as successor-in-interest of TRB, citing their Purchase & Sale Agreement ("**PSA**"). The Bank raised the defense that it did not acquire the disputed assets which were specifically excluded from the assets acquired and/or liabilities assumed from TRB under the PSA. The Sandiganbayan rendered a decision finding TRB liable for the alleged ill-gotten wealth of the former President but dismissed the case insofar as the Bank is concerned, affirming the Bank's position on exclusion of the disputed assets from the PSA and declaring that there was no merger between the two banks. The PCGG filed a motion for partial reconsideration with respect to the dismissal of the case in favor of the Bank. The Sandiganbayan denied the Motion for Partial Reconsideration filed by the PCGG, and maintained its decision absolving the Bank from PCGG's claim on the alleged ill-gotten wealth. PCGG filed a Petition for Review on Certiorari with the Supreme Court, and the Bank filed its comment on the petition. The parties are awaiting notice from the Supreme Court.

8.18.4 College Assurance Plan Philippines Inc. - Corporate Rehabilitation

The controversy originated from proceedings for corporate rehabilitation of College Assurance Plan Philippines Inc. ("**CAPPI**"). Trustee, Philippine Veterans Bank ("**PVB**"), and CAPPI claimed "interest" or dividends on the Bank's preferred shares that it redeemed from CAPPI, insisting that interest thereon is due. The Bank countered that payment of dividends requires BSP approval and that is not liable to pay "interest" or dividends in the absence of retained earnings. Pending resolution of the issue, an escrow fund was set up with PVB-Trust. The BSP subsequently disapproved the issuance of dividends by the Bank. Notwithstanding, the trial court ordered PVB-Trust to release funds from the escrow for payment of the interest "due and payable" on the redeemed preferred shares. Before the Bank received the order, PVB-Trust released the corresponding amount to CAPPI. The Bank elevated the matter to the Court of Appeals which decided in its favor, ordering CAPPI to return the amount it received from PVB. CAPPI and PVB filed separate petitions before the Supreme Court assailing the decision of the Court of Appeals. The Supreme Court rendered a Decision on 15 September 2021 reversing the Court of Appeals, rationalizing that PVB and CAPPI acted in obedience to the trial court's order that was valid at that time. The Bank filed a motion for reconsideration which the Supreme Court denied in a Resolution dated 16 October 2024. On 20 February 2025, the Bank received a copy of the Supreme Court's Entry of Judgment that its decision has become final on 16 October 2024.

8.19 PERMITS

The Bank has all the applicable and material permits and licenses necessary to operate its business as currently conducted, and such permits and licenses are valid and subsisting.

8.20 CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) in Bank of Commerce (BankCom) is deeply aligned with our parent company, San Miguel Corporation's (SMC) core value of "Malasakit" and vision of building a better world. For BankCom, our commitment to delivering superior service goes hand-in-hand with our commitment to bringing positive impact to our employees, clients and partners, and to supporting SMC's nation-building initiatives. The Bank adheres to the concept of giving back through willingness to dedicate time, effort and resources, and showing up when it matters the most.

BankCom ramped up its involvement on initiatives and causes which are anchored on the Bank's CSR pillars of community development, financial literacy and social responsibility in 2025. From various donation drives, environmental protection activities, community outreaches, and financial literacy sessions, BankCom volunteers strategically partnered with reputable organizations and proactively participated in San Miguel Foundation-led initiatives. These enabled our employees to be part of something purposeful and gave them a sense of meaning, connection and purpose aside from the work that they do.

"My experience had been both challenging and exciting because being a volunteer required stepping out of my comfort zone, and exploring new opportunities and experiences. As a result, I had grown personally and professionally, learned to overcome my fears and became more confident when socializing and collaborating with different people."

- *Angelica Bagsican, IT Vendor and Budget Associate, Digital Services Group*

"Volunteering is a good way to engage employees. The more events they take part in, the better. Many forget or take for granted the impact they can make."

- *David Salvador, Product Development and Research Department Head, Treasury Management Group*

"I've been volunteering since 2023, and the excitement of meeting new people and embracing new experiences are what inspires me to volunteer. There's fulfillment every time I am part of different activities that show malasakit for others."

- *Jobee Jerli Lagumbay, IT Asset Management Specialist, Digital Services Group*

"Volunteering is a beautiful reminder of the power of compassion, connection and community. Moments like this inspire us to continue making a positive impact, one meaningful encounter at a time."

- *Noemi Nikki Guevarra, Sucat Branch Manager*

8.20.1 Financial Literacy Program

BankCom's Financial Literacy (**FinLit**) Program is a core pillar of the Bank's CSR initiative. Through its Consumer Protection and ESG Department (**CPED**), the Bank regularly rolls out FinLit sessions that focus on equipping various segments in society such as parents, students, micro and small entrepreneurs, women, and others with knowledge on financial planning, budgeting, saving and avoiding scams.

In 2025, the program was able to successfully reach a total of 100 high school teachers from President Corazon "Cory" C. Aquino National High School (**PCCCANHS**), a total of 101 women entrepreneurs who are Better World Community members or being supported by the Helping Hands Livelihood Group or the Petron Foundation, 30 parents and officials in Brgy. Pingit, Baler, Aurora, and 100 youth plus parents around the area of the Sto. Domingo Church in Quezon City.

Aside from the Bank's CPED, different branches in Metro Manila also conducted the different sessions, ensuring a wider reach.

8.20.2 School kit packing

With an aim to support after-school programs in education and active citizenship, BankCom partnered with a non-profit organization, Sikat-Aurora, who help underserved communities in the province of Aurora. The Bank sponsored one cycle in August 2025 of Abot Ko Ang Libro (**ABKL**), a mobile library cart program that brings books closer to learners in remote areas in the province. In this program, student volunteers did storytelling sessions for 5 consecutive Saturdays to 50 kids from Brgy. Pingit. On the fifth Saturday, BankCom turned over 50 school kits with reading materials to these kids who completed attending all 5 Saturdays of the ABKL program. These school kits were packed through the assistance of 24 head office-based volunteers.

A total of 56 volunteers from the different branches of the Metro Manila South and North Areas also joined in the school kit packing activities. Their participation produced a total of 135 school kits donated to students of Lawang Elementary School and Lawang West Elementary School in the Municipality of Dilasag.

8.20.3 Box It Fresh

The Bank's Human Resources Management & Development Division (HRMDD) implemented a Nutrition Month Engagement Program called "Box It Fresh" in July 2025 at the head office where employees can buy fresh produce from Better World Tondo Nanays. 19 BankCom volunteers dedicated their time in effectively managing the program and in ensuring the activity was implemented in an orderly manner.

8.20.4 Outreach and support

8.20.4.1 Philippine Cancer Society, Inc.

BankCom's Transaction Banking Group (TBG) visited the Philippine Cancer Society, Inc. (PCSI) at San Miguel, Manila to generously share their monetary and in-kind donations, spend some time to cheer up and bring a glimmer of hope to the patients assisted by PCSI. Senior Vice President and TBG Head Mary Assumpta Gail Bautista together with 17 volunteers from the group generously donated their cash prize of PHP 50,000 from winning the Charity Raffle during BankCom's 2024 Year-end Party. The volunteers also organized a special program with fun games and shared inspirational messages to 20 cancer patients.

8.20.4.2 *Chosen Children Village Foundation*

11 volunteers from different branches in the Metro Manila South Area visited the Chosen Children Village Foundation which houses children with disabilities. The visit was filled with joy and meaningful interactions through fun games, storytelling, and special bag painting activity that allowed the children to express their creativity. As part of this initiative, the volunteers also extended their support through cash and in-kind donations.

8.20.4.3 *Missionaries of Charity for the Elders*

Initiated by the Metro Manila East Area branches, a total of 70 elders being cared for by the Missionaries of Charity were visited by 16 volunteers from BankCom. The volunteers spent time to entertain the "lolos and lolas" through songs and meaningful interactions. The volunteers also donated hygiene kits and essential supplies. Through these special visits, the volunteers were able to let the elderlies feel the warmth of human connection as some of these elderlies no longer have families to care for them.

8.20.4.4 Virlanie Foundation

BankCom branches in the Makati Area came together to partner with Virlanie Foundation to support the nine (9) female teenagers in Elizabeth Home, 20 persons with disabilities in Aime Home and 15 kids ages 5 to 12 years old in Masaya Home. From teaching confidence and useful soft skills to donations of school kits, the volunteers

spent two (2) Saturdays to ensure that they were able share valuable lessons and materials that would equip them further in life.

8.20.4.5 *Manila Boys, Girls and Kids Town*

From elderlies to young ones, the Metro Manila East branches visited the Manila Boys, Girls and Kids Town to distribute loot bags containing snacks and spend quality time with the beneficiaries. The volunteers also hosted a game and donated clothes and hygiene kit to ensure that these children feel love and support.

8.20.4.6 Overtaken Church

The Bank's Cash Management Sales Department under Transaction Banking Group partnered with Overtaken Church to collect monetary and in-kind donations in the relief operations for those affected by fire in Brgy. Catmon, Malabon last October. A total of 50 individuals were the beneficiaries of this donation drive.

8.20.5 Team Malasakit Activities

BankCom's unwavering support of Team Malasakit (TM) activities was clearly visible with the Bank's active participation in San Miguel Foundation's (SMF) TM 10th Anniversary activations in 2025. From Better World community activities to environmental initiatives, blood donation and relief operations, BankCom volunteers were ready to support.

8.20.5.1 *Tutor Kita Program*

Seven (7) volunteers from BankCom dedicated their time and expertise to help bridge learning gaps for Filipino students as part of SMF's Tutor Kita Program in partnership with AHA Learning Center, a non-profit organization that helps Filipino students in their studies. The volunteers participated in both face-to-face and online trainings to prepare them for the task of tutoring learners at the Better World Smokey Mountain in Tondo, Manila. For two consecutive Saturdays in February and March, they shared their knowledge on one of the four (4) subjects: Filipino, English, Math and Science within an hour and half-long class structure. After each session, the students took post-tests to evaluate their learnings and ensure reinforcement of academic and social skills.

The program provided after-school learning support to K-12 students, focusing on academic reinforcement, emotional growth, and self-confidence.

8.20.5.2 *Blood Donation, and Health and Wellness*

BankCom volunteers understand the importance of having available safe supply of blood in saving lives. The Philippines approximately requires one (1) million units of blood annually to support the requirements of various patients in the country according to the Philippine Red Cross. Heeding to the call for blood donors, 21 BankCom employees in the head office signed up for the nationwide blood donation drive facilitated by SMF in cooperation with the Philippine Red Cross.

On the other hand, 19 employees volunteered in two (2) different sessions of Health and Wellness activities at Better World Cubao. The volunteers led Zumba sessions which truly energized the "kumares". They also shared tips on how stay healthy while trying to lose weight through a talk facilitated by Mr. Michael Angelo Quinto from the Bank's Digital Services Group who was also declared Champion of BankCom's Biggest Loser 2025 engagement activity.

8.20.5.3 *Fur Partner Day*

20 pet-loving BankCom volunteers joined SMF's Fur Partner Day with Animal Kingdom Foundation (AKF) in Capas, Tarlac. They assisted in feeding, petting, bathing plus getting to know the rescued cats and dogs at the

shelter. There were also monetary and in-kind donations such as pet wipes, treats, collar and other useful items. These donations were then turned over to AKF.

8.20.5.4 Tree planting, Backyard Bukid and Agriskwela and Coastal Cleanup

The Bank's strong commitment to environmental protection was visible in its participation to different conservation efforts. Nine (9) volunteers planted saplings at the Mount Purro Nature Resere (MPNR) in Brgy. Calawis, Antipolo City along with other SMC business unit volunteers. These saplings were the grown seedlings potted by BankCom volunteers in the previous years.

On the other hand, BankCom volunteers also joined the efforts for maintaining the Backyard Bukid and learned about basic agricultural skills at the SMC Head Office Complex.

BankCom has been actively participating in coastal cleanups since 2018 and has supported SMF's cleanup campaigns since 2019. 2025 is no different with more BankCom volunteers from the Head Office and branches participating in the cleanup drive: 45 joined the Metro Manila leg at the SM Mall of Asia and 10 joined the regional activation at Brgy. Jubay, Liloan, Cebu. Held last September 20, these cleanup drives were part of San Miguel Corporation's (SMC) unified efforts to help collect wastes that affect our rivers and seas. This is the biggest coastal cleanup campaign yet by SMC targeting 55 sites nationwide and hundreds of volunteers from the group. BankCom volunteers collected a total of 55 sacks of plastics, aluminum cans, wood debris, rubbers and other wastes at the Manila Bay. While in Liloan, our volunteers collected 2 sacks of non-biodegradable wastes such as plastics, metals and glass.

8.20.6 Various donation drives

As part of Team Malasakit's initiative to bring smiles to Better World Communities in time for the Christmas season, One Good Deed Day is annually activated where different San Miguel business units can support. For BankCom, a total amount of PHP 37,861 and three (3) in-kind donations from 36 donors were turned over to SMF last December 16, 2025.

One of the highlights of Team Malasakit activities for 2025 is the Kasalang Bayan where a total of 47 couples in Smokey Mountain, Manila tied the knot in July. City of Manila Mayor Francisco "Isko" Moreno Domagoso presided over the wedding ceremonies. A total of 37 BankCom donors graciously bestowed white dresses, long sleeves, shoes and other wedding items that these couples used.

In 2025, different calamities also struck the nation; typhoons, earthquakes and fires affected our countrymen. The call for "malasakit" was even greater and BankCom was one of those who heed this call. A total amount of PHP 29,900 from 31 donors from the Bank assisted in the relief operations of SMF those affected by Typhoon Tino and Uwan in Luzon and Visayas. On the other hand, a total of 116 BankCom donors shared clothes, beddings/blankets, towels and hygiene kits to the Better World Tondo community members who were victims of the big fire in September.

8.20.7 Sponsorships for a Cause

The Bank continued its active involvement in sponsoring initiatives aimed at supporting various social causes including education, healthcare, and sports among others. A total amount of PHP 590,000 was donated by BankCom to various reputable organizations and institutions. Among those were Pinget Elementary School, Money Market Association of the Philippines, Alumni Association of the Asian Institute of Management (AAAIM), Bank Security Management Association of the Philippines (BSMAP), International Care Ministries (ICM), Sikat-Aurora, Foundation for Economic Freedom, Tanging Yaman Foundation, Inc., HERO Foundation, Inc. and President Corazon "Cory" C. Aquino National High School (PCCCANHS).

SECTION 9. ASSETS AND LIABILITIES

9.1 FUNDING

9.1.1 Overview

As of 30 June 2026, the Bank's funding base is composed primarily of deposits amounting to a total of ₱223,637 (in millions) comprising savings, demand, time deposits, and long-term negotiable certificates of time deposit ("LTNCD") at 54.23%, 36.35%, 9.41%, and nil respectively. The Bank also sources part of its funding requirements from the interbank market, particularly in periods of high liquidity which generally results in lower overall funding cost.

9.1.2 Sources of Funding

The Bank has been successful in attracting and retaining its low-cost deposit base. While the cost of deposits has largely been driven by interest rate movements, the average cost of deposits is also bolstered by the continued rise in the share of current and savings accounts ("**CASA**") to total deposits. The Bank will continue to emphasize growth in its CASA through the launching of differentiated CASA products geared towards the retail, middle market, and corporate customers. The maturities of the Bank's funding portfolio enable it to achieve funding stability and liquidity while achieving its desired profile of loan and deposit maturities. The Bank's depositors typically roll over their deposits at maturity, effectively providing the Bank with a base of core liquidity.

The following table sets out an analysis of the Bank's principal sources of funding for the periods indicated:

	As of 30 June 2026	
amounts in ₱ millions		**%**
Deposits by type		
Demand…….	81,303	36.35%
Savings……..	121,287	54.23%
Time……..	21,047	9.41%
LTNCD…….	-	0.00%
Total…….....	**223,637**	**100.00%**

As of 30 June 2026, 65.52% of the Bank's outstanding demand and savings deposits can be withdrawn on demand without any prior notice from the customer.

The table below summarizes the maturity profile of the Bank's deposit liabilities:

	As of 30 June 2026			
amounts in ₱ millions	**Less than 3 Months**	**3 to 12 Months**	**Over 1 to 5 Years**	**Total**
Deposit Liabilities				
Demand……	81,303	-	-	81,303
Savings……	119,995	e	-	121,287
Time……	20,075	812	160	21,047
LTNCD……..	-	-	-	-
Total ……	**221,373**	**2,104**	**160**	**223,637**

The Bank also maintains credit lines with domestic commercial banks and financial institutions in the interbank market primarily for treasury management purposes. Interbank borrowings are typically for short-term duration of between one day and a few weeks. Interbank deposits do not usually form a significant part of the Bank's funding base but, together with the Philippine government bond market, are important in the management of the

Bank's liquidity. The BSP is a lender of last resort to the Philippine banking industry. The Bank has not had to resort to this facility but has managed its liquidity through its participation in the interbank market in the Philippines.

The Bank is a member of the PDIC which insures all deposits up to maximum of ₱1,000,000 per depositor. The PDIC is funded by semi-annual assessment fees at a prescribed percentage of the Bank's deposit liabilities less certain exclusions.

The Bank manages its liquidity to meet financial liabilities arising from the withdrawal of deposits, repayments of deposits at maturity and working capital needs. Funds are required to create assets in the form of loans and extensions of other forms of credit, investment in securities, trade financing, and capital investments. The Bank seeks to ensure sufficient liquidity through a combination of active management of liabilities, a liquid asset portfolio, the securing of ample money market lines and swap lines, and the maintenance of repurchase facilities.

9.1.3 Liquidity

Pursuant to regulations of the BSP, universal and commercial banks are required to maintain a reserve of 7% of Peso demand deposits and deposit substitutes starting 25 October 2024. The required reserves shall be kept in the form of deposits placed in the bank's demand deposit accounts with the BSP. On the foreign currency deposit unit ("**FCDU**") side, the Bank is required to maintain at least 30% of deposit liabilities in liquid assets. The Bank has complied with the reserve requirements for both Peso and FCDU books.

As of 30 June 2026, the Bank's liquid assets amounted to about ₱73.554 billion, representing 25.58% of the Bank's total assets. Liquid assets include cash and other cash items, due from BSP, due from other banks, interbank loans receivable, and securities purchased under resale agreement, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

The following table sets out information with respect to the Bank's liquidity position as of the dates indicated:

	As of December 31			30 June
amounts in ₱ millions, except otherwise stated	**2023**	**2024**	**2025**	**2026**
Liquid Assets[1]	60,382	81,519	71,544	73,554
Receivables from Customers	109,408	135,413	161,724	152,727
Less: Allowance	1,829	1,651	1,842	1,862
Net Loans	107,579	133,762	159,882	150,865
Total Assets	231,668	265,440	286,854	287,509
Total Deposits	185,905	212,008	223,314	223,636
Ratios				
Liquid Assets to Total Assets	26.06%	30.71%	24.94%	25.58%
Liquid Assets to Total Deposits	32.48%	38.45%	32.04%	32.89%
Net Loans[2] to Total Deposits	57.87%	63.09%	71.60%	67.46%

Notes:

1. Liquid assets as at year-end include cash and other cash items, due from BSP, due from other banks, interbank loans and receivables and securities purchased under resale agreements, financial assets at fair value through profit or loss and financial assets at fair value through other compressive income.

2. Receivables from customers net of allowance for credit losses and unearned discounts.

9.2 LOAN PORTFOLIO

9.2.1 Overview

As of 30 June 2026, the Bank's gross loans amounted to ₱152.82 billion, representing 53.15% of total assets. As of 30 June 2026, loans to corporates represented 83.54% of the Bank's total loans while consumer lending represented 15.26% of the Bank's total loans.

The following table sets out, for the periods indicated, the allocation of the gross loans held by the Bank among its principal lending units.

	As of December 31			30 June
amounts in ₱ millions	**2023**	**2024**	**2025**	**2026**
Corporate and commercial lending	93,456	116,941	138,517	127,665
Consumer lending	14,893	17,259	21,645	23,322
Trade-related lending	49	356	48	59
Others	1,055	925	1,597	1,777
Gross Loans	**109,453**	**135,481**	**161,807**	**152,823**

Note(s):

1. Others consist of bills purchased and benefit loans

The Bank's consumer lending amounted to ₱23.32 billion as of 30 June 2026, representing 15.26% of the gross loans of the Bank. As of 30 June 2026, housing loans represented 57.13% of the Bank's consumer lending loans, 29.12% composed of auto loans, 10.33% for credit cards, and 3.42% composed of salary and personal loans.

The following table indicates total consumer lending as of the dates indicated:

	As of December 31			30 June
amounts in ₱ millions	**2023**	**2024**	**2025**	**2026**
Housing loans	8,454	9,565	12,283	13,324
Auto loans	4,124	5,079	6,336	6,792
Credit cards	1,619	1,849	2,240	2,409
Salary and personal loans	696	766	786	797
Consumer Loans	**14,893**	**17,259**	**21,645**	**23,322**

9.2.2 Industry Concentration

The following table sets forth, for the periods indicated, an analysis of the Bank's gross loans by economic activity, as defined and categorized by the BSP:

	As of December 31						30 June	
in ₱ millions, except percentages	**2023**		**2024**		**2025**		**2026**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Real estate activities	18,849	17.2	25,014	18.5	30,722	19	25,195	16.4
Electricity, gas, steam, and air-conditioning supply	39,123	35.8	45,497	33.6	45,100	27.9	44,685	29.2
Construction	11,705	10.7	12,386	9.1	13,355	8.3	16,888	11.1
Manufacturing	10,918	10	11,197	8.3	11,754	7.3	13,496	8.8
Financial and insurance activities	2,555	2.3	7,176	5.3	10,498	6.5	9,590	6.3
Information and Communication	4,973	4.6	5,792	4.3	9,087	5.6	8,807	5.8
Wholesale and retail trade, repair of motor vehicles and motorcycles	5,958	5.4	7,044	5.2	5,739	3.5	4,121	2.7
Water supply, sewerage, waste management and remediation activities	1,381	1.3	1,324	1	1,255	0.8	1,209	0.8
Transportation and storage	1,328	1.2	2,874	2.1	9,117	5.6	9,235	6.0

Agriculture, forestry and fishing	1,899	1.7	3,872	2.8	3,770	2.3	3,621	2.4
Accommodation and food service activities	1,549	1.4	3,152	2.3	3,122	1.9	3,187	2.1
Administrative and support service activities	541	0.5	207	0.1	311	0.2	289	0.2
Mining and Quarrying	1,883	1.7	1,967	1.5	8,307	5.1	2,167	1.4
Others*	6,791	6.2	7,979	5.9	9,670	6	10,333	6.8
Gross Loans	**109,453**	**100**	**135,481**	**100**	**161,807**	**100**	**152,823**	**100**

As of 30 June 2026, electricity, gas, steam, and air-conditioning supply represented the largest sectors of the Bank's gross loans at 29.2%. The majority of lending to these sectors takes the form of residential mortgage loans and working capital loans for corporate and commercial customers. The Bank has no specific limits with respect to portfolio mix, except for the regulatory limits for loans to the real estate sector and credit concentration limit to a particular industry or economic activity.

The internal limits are expressed as a percentage of the Bank's net worth. These vary across industries depending on the prospects of the Bank. For the regulatory limits, loans to real estate business are limited by BSP regulations to 25.0% in the aggregate of the Bank's total loan portfolio. Excluded from this ceiling are loans extended to individual households to finance the acquisition or improvement of residential units, regardless of amount, loans extended to land developers/construction companies for the purpose of development and/or construction of socialised and low cost residential properties, loans to the extent guaranteed by the Home Guaranty Corporation, loans to the extent collateralised by non-risk assets, and loans to finance the construction, rehabilitation, and improvement of infrastructure projects intended for public use. The trust departments of universal and commercial banks are also exempt from the said loan ceiling. The BSP also imposes a credit concentration limit of 30.0% of total loan portfolio to any industry or economic activity.

Banks are required to allocate 25.0% of their loanable funds for agriculture and agrarian reform credit in general, of which at least 10.0% must be made available for agrarian reform beneficiaries. Alternatively, a bank may meet all or a portion of the mandatory agriculture and agrarian reform credit by investing in eligible government securities, and loans and other credits under certain conditions. Likewise, banks are also required to set aside at least 8.0% for small enterprises and 2.0% for medium-sized enterprises (altogether, the "**SMEs**"), of their total loan portfolio. Due to the lack of agriculture and agrarian borrowers and SMEs that meet the Bank's credit standards and due to the shortage in eligible Government securities, the Bank is unable to meet the said requirements.

9.2.3 Loan Maturity Profile

As of 30 June 2026, loans due within one (1) year represented 26.40% of the Bank's total loans. Short-term loans principally comprise loans to corporates for working capital and loans to consumers and SMEs. Medium-and

long-term loans are typically granted to corporations and businesses to finance capital expenditures and mortgages advanced for property purchases.

The following table sets out an analysis of the Bank's gross loans by maturity:

in ₱ millions, except percentages	As of December 31						30 June	
	2023		2024		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%
Within one year	39,838	36.4	52,848	39.0	44,404	27.4	40,296	26.40
More than one year	69,615	63.6	82,632	61.0	117,403	72.6	112,527	73.60
Gross Loans	**109,453**	**100.0**	**135,480**	**100.0**	**161,807**	**100.0**	**152,823**	**100.00**

9.2.4 Loan Currencies

The Bank provides loans to customers in peso and certain foreign currencies. The Bank maintains its practice of extending foreign currency loans primarily to exporters who have an identifiable source of foreign currency earnings from which to repay the loans or otherwise hedged, and to importers who have authorization from the BSP to purchase foreign currency to service their foreign currency obligations.

As of 30 June 2026, 93.6% of the Bank's gross loans was denominated in Philippine Peso with 6.4% being denominated in foreign currency, U.S Dollars.

The following table sets out an analysis of the Bank's gross loans by currency:

in ₱ millions, except percentages	As of December 31						30 June	
	2023		2024		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%
Philippine Peso	97,236	88.8	123,163	90.9	151,031	93.3	143,052	93.6
U.S. Dollars	12,217	11.2	12,317	9.1	10,776	6.7	9,771	6.4
Gross Loans	**109,453**	**100.0**	**135,480**	**100.0**	**161,807**	**100.0**	**152,823**	**100.0**

9.2.5 Interest Rates

As of 30 June 2026, 29.2% of the Bank's total gross loans were subject to periodic interest repricing. The Bank sets interest rates for Peso-denominated loans based on market rates for Philippine Government Securities and for U.S.$-denominated loans based on USD Secured Overnight Financing Rates. The Bank follows a prudent policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

The Bank monitors the mismatches in the repricing of its assets and liabilities through the interest rate gap reports presented on a monthly basis. To ensure that the Bank's net interest income is preserved, the Bank has set a limit

for the maximum repricing gap, either positive or negative, for tenors up to one (1) year. These limits are reviewed annually and form part of the Bank's risk appetite statements.

The following table shows the total amount of the Bank's gross loans that have fixed interest rates and variable or adjustable interest rates:

in ₱ millions, except percentages	As of December 31						30 June	
	2023		2024		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%
Fixed	43,499	39.7	49,466	36.5	100,993	62.4	108,213	70.8
Variable	65,954	60.3	86,015	63.5	60,814	37.6	44,610	29.2
Gross Loans	**109,453**	**100.0**	**135,481**	**100.0**	**161,807**	**100.0**	**152,823**	**100.0**

9.2.6 -Size and Concentration of Loans

The Bank monitors its financial exposure to its customers in order to ensure that concentration risk is prudently managed. Specific risk metrics are applied for this purpose and designed to identify concentration by internally-defined segments as well. As of 30 June 2026, the loan exposure to the Bank's single largest corporate borrower group amounted to ₱7.5billion or 4.88% of the Bank's total outstanding loan portfolio. As of 30 June 2026, the Bank's ten (10) largest borrower groups accounted for ₱58.22 billion, or approximately 37.91% of the Bank's total outstanding loan portfolio. There are no NPLs in the Bank's top ten (10) loan accounts.

The BSP generally disallows any bank from maintaining a financial exposure to any single person or group of connected persons in excess of 25% of the Bank's unimpaired capital as defined by the BSP MORB Section 362. The additional operational relief measures that increase SBL from 25 percent to 30 percent pursuant to BSP Memorandum No. M-2021-026 and BSP Memorandum No. M-2022-004 ended on 31 December 2022. The Bank is in compliance with the 25% single borrower's limit as of 30 June 2026.

9.2.7 Secured and Unsecured Loans

The Bank principally focuses on cash flows in assessing the creditworthiness of borrowers. However, it will secondarily seek to minimize credit risk with respect to a loan by requiring borrowers to pledge or mortgage collateral to secure the payment of loans.

The following table sets out the breakdown of the Bank's total gross loan by security:

in ₱ millions, except percentages	As of December 31						30 June 2026	
	2023		2024		2025			
	Amount	%	Amount	%	Amount	%	Amount	%
Loans secured by:								
Deposit hold-out	5,194	4.8	4,969	3.7	4,854	3.0	4,911	3.2
Real Estate	6,565	6.0	14,347	10.6	14,858	9.2	15,375	10.1
Continuing surety agreement	4,307	3.9	4,762	3.5	4,504	2.8	5,932	3.9

Deed of pledge	7,984	7.3	4,552	3.4	10,862	6.7	6,837	4.4
Chattel	2,281	2.1	2,267	1.7	2,902	1.8	3,835	2.5
Corporate guaranty	1,332	1.2	1,079	0.8	313	0.2	191	0.1
Deed of Assignment	1,363	1.2	1,521	1.1	10,520	6.5	11,629	7.6
Security agreement	4,156	3.8	9,449	6.9	14,394	8.9	10,958	7.2
Others	27,836	25.4	11,526	8.5	9,088	5.6	5,636	3.7
Subtotal - Secured	**61,018**	**55.7**	**54,472**	**40.2**	**72,295**	**44.7**	**65,304**	**42.7**
Unsecured	48,435	44.3	81,009	59.8	89,512	55.3	87,519	57.3
Gross Loans	**109,453**	**100.0**	**135,481**	**100.0**	**161,807**	**100.0**	**152,823**	**100.0**

As of 30 June 2026, 57.3% of the Bank's total loans are unsecured.

9.2.8 Credit Rating/ Scoring System

The Bank's Internal Credit Risk Rating System ("**ICRRS**") is an established tool used to evaluate the credit risk associated with each borrower. It is a 10-grade rating scale that reflects an established blend of qualitative and quantitative factors containing both a borrower and facility dimension. The borrower dimension focuses on factors that affect the inherent credit quality of each borrower. The facility dimension, on the other hand, highlights the security and collateral arrangements and other similar risk influencing factors of each transaction.

In 2007, the Bank implemented a credit risk classification that is compatible with global rating standards in compliance with BSP. In 2018, the Bank completed the recalibration of the ICRRS.

Along with this, the Bank introduced expert scoring models for consumer loan applications (including credit cards) in 2015. These models together with other credit acceptance criteria are used to determine the Bank's application acceptance.

The Bank contracts external entities to review and validate the different rating models on a regular basis. Results of these validation exercises are reported to the management, the Board Risk Oversight Committee (BROC), and the Audit Committee.

9.2.9 Credit Approval Process

To ensure that the Bank is operating under a sound credit granting process, the approval for new credits as well as the amendment, renewal and refinancing of existing exposures has been aligned with the credit risk management structure of the Bank and clearly articulated in its written credit policy. In this process, the Bank has taken into consideration the different levels of appropriate approving authority and their corresponding approving authority limits, which have been commensurate with the risks of the credit exposures. It likewise implements an escalation process where approval for restructuring of credits, policy exceptions or excesses in internal limits is escalated to individual/committee with higher authorities. More so, the Bank is practicing proper coordination of relevant units and individuals as well as sufficient controls to ensure acceptable credit quality at origination.

Credit proposals are presented and justified by the lending officers via Credit Proposal Memo (CPM) / Offering Memo (OM). Such presentation shall only be made after a thorough evaluation and analysis of the borrower and the source of repayment. And to be consistent with safe and sound banking practice, the Bank shall grant credits only in amounts and for the periods of time essential for the effective completion of the activity to be financed and after ascertaining that the borrower is capable of fulfilling its commitments to the Bank.

Credit approving authority limits are approved by the Board of Directors. Each level of authority can act upon the proposals and transactions within the limits of its authority and in accordance with policies, limitations and restrictions set forth by the management and approved by the Board. Credit proposals that require committee approvals (i.e. Credit and Collection Committee, Executive Committee, and Board of Directors) are presented by the lending officers during the regular en banc meetings of each committee. There are, however, certain urgent transaction types that the policy allows to be routed to members of such committee for approval.

The Credit and Collection Committee plays a critical role in the credit approval process. It has the power to approve credit proposals of any sort, e.g. establishment, renewal, extension, increase/decrease, restructuring or settlement of a credit line or term loan, within its authority and to endorse those credit proposals which are beyond its authority to the Executive Committee and/or the Board of Directors. It has also the responsibility to ensure that credit accommodations to related parties falling below the materiality thresholds are granted on arms' length basis and are compliant with the set regulations.

9.2.10 Credit Monitoring, Review Process, and DOSRI

In line with the BSP mandate for banks to effectively monitor the condition and quality of their individual and group credit portfolios, the Bank has developed and implemented comprehensive processes, procedures and information systems to attend to that mandate. These include criteria that identify and report problem credits to reasonably assure that they are appropriately monitored as well as administered and provided for. As such, any exception, breach and potential problem noted shall be promptly reported to management for corrective action, possible classification and/or provisioning and more frequent monitoring.

The Bank has established an independent unit to review the portfolio of the Corporate/commercial accounts and identify existing and potential areas of deterioration and assess the risks involved. In addition, the credit support units evaluate the degree to which a particular lending unit is complying with existing credit management policies.

Further to this, the Bank has been implementing an extensive monitoring of individual and aggregate exposures to its Directors, Officers, Stockholders and Related Interest (DOSRI). In the ordinary course of business, the Bank can have transactions with its directors, officers, stockholders and related interests ("**DOSRI**") and its Related Parties, provided these transactions are done on an arm's length basis, and within the prescribed statutory limits.

The total outstanding loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution to the Bank. Provided, however, that the unsecured loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall not exceed thirty percent (30%) of their respective total loans, other credit accommodations and guarantees.

On aggregate loans to DOSRI, the total outstanding loans, other credit accommodations and guarantees to DOSRI shall not exceed fifteen percent (15%) of the total loan portfolio of the Bank or 100% of the Bank's net worth, whichever is lower.

The Bank's DOSRI loans and receivables are summarized as follows:

	As of 31 December			30 June
Amounts in ₱	**2023**	**2024**	**2025**	**2026**
Amount	165,829.00	59,222.00	-	-

% to total loans	0.0002%	0.0000%	0.0000%	0.0000%

9.2.11 Impairment of Loans and Other Financial Assets

The Bank complies with the requirements of PFRS 9, *Financial Instruments,* in measuring the required allowance for impairment on financial assets.

9.3 EXPECTED CREDIT LOSS (ECL) METHODOLOGY

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

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

9.3.1 Stage Assessment

For non-impaired financial instruments:

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

For credit-impaired financial instruments:

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

9.3.2 Significant Increase in Credit Risk

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

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

political nature of a business. Credit weakness can be established by an unsatisfactory track record that merits close monitoring and attention from management.

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

9.4 CREDIT QUALITY PER CLASS OF FINANCIAL ASSETS

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

The table below shows the Bank's gross loans, net of unearned interest income, as of 30 June 2026 classified according to credit quality:

amounts in ₱ millions	Term Loans	Housing Loans	Auto Loans	BP/IB/TR	Direct Advances	Agri-Agra	Others	Total
Stage 1								
High Grade	49,446,482	-	1,440	1,611,898	4,915	-	-	51,064,735
Standard Grade	62,527,496	10,052	14,650	99,130	482	10,298,004	-	72,949,814
Unrated	3,068	12,815,744	6,027,321	-	279,245	-	2,673,227	21,798,605
	111,977,046	**12,825,796**	**6,043,411**	**1,711,028**	**284,642**	**10,298,004**	**2,673,227**	**145,813,154**
Stage 2								
Standard Grade	452,203	-	-	-	-	2,914,600	-	3,366,803
Substandard Grade	655,000	-	-	-	465	-	-	655,465
Unrated						-		
Past Due but not Impaired	-	271,005	202,289	-	2,031	-	130,739	606,064
Impaired	22,500	-	-	-	-	-	-	22,500
	1,129,703	**271,005**	**202,289**	**-**	**2,496**	**2,914,600**	**130,739**	**4,650,832**
Stage 3								
Impaired	640,138	226,911	544,102	10,878	99,569	313,031	428,776	2,263,405
	640,138	226,911	544,102	10,878	99,569	313,031	428,776	2,263,405
Gross Loans	113,746,887	13,323,712	6,789,802	1,721,906	386,707	13,525,635	3,232,742	152,727,391

9.5 IMPAIRMENT – REGULATORY REPORTS

On 14 August 2018, BSP issued Circular No. 1011 *Guidelines in the Adoption of the Philippine Financial Reporting Standard ("**PFRS**") Accounting Standards 9 – Financial Instruments* requiring banks to adopt the expected credit loss ("**ECL**") model in measuring credit impairment in accordance with the provisions of PFRS Accounting Standards 9, with certain exceptions as follows:

- For non-retail corporate counterparties when any of its material exposure is subjected to lifetime ECL (i.e., at least one of its exposures is classified as Stage 2 or 3), all of the exposures with the counterparty will be subjected to lifetime ECL. In such case, additional expense and allowance shall be recorded for accounts subjected to 12-month ECL to recognize lifetime ECL of these accounts.
- For loan account whose computed ECL is less than 1%, appropriation of retained earnings is required for an amount necessary to bring the ECL to 1%. This is applicable to Stages 1, 2, and 3.

9.6 REMEDIAL MANAGEMENT

The Remedial Management Department directly supervises the management of past due loans that are referred to it. For Bank of Commerce, remedial management of problematic past due corporate/commercial loans and consumer loans are handled separately. For problematic accounts, it is assigned to a remedial unit which evaluates, determines and proposes the appropriate remedial recourse available to the Bank.

Recovery may be voluntary or involuntary. Voluntary mode is cost-efficient and is always preferred through the cooperation of the borrower. This type of recovery is usually in the form of full or partial payments, restructuring, assignment or assumption of credit, or *dacion en pago* (payment in kind).

In case voluntary recovery is not possible, the Bank resorts to legal action through its legal department, which is usually foreclosure of loan collateral or filing of criminal/civil collection suits.

Taking into account the possibility of recovery at set stages, remedial officers review and continually assess the impaired values of each account. Any additional increase or reduction in the impairment value is then compared with the existing credit classification and booked provision. Any adjustment, if necessary, is made accordingly.

All remedial actions require approval of the Bank's President, Credit Committee or Executive Committee depending on the amount of outstanding obligation and/or complexity of remedial action, as stated in the Bank's Credit Policy Manual.

Foreclosed and dacioned assets on the other hand are transferred to Acquired Asset Division (AAD) which is tasked to manage and dispose of acquired properties of the Bank. AAD consists of 3 main sections namely Sales & Marketing, Property Management and Sales Contract Receivables. Sales & Marketing group is responsible for the disposal of properties booked under ROPA. The main channel for disposal are the account officers, accredited brokers, branch network and bank website. Property Management group is in-charge of monitoring redemption, possession, consolidation, and payment of association dues / taxes. Sales Contract Receivables group is tasked to handle coordination with buyers, monitoring of payments, preparation of sale documents or cancellation of sale for those properties sold under installment.

Disposition of the Bank's acquired assets, depending on the amount, requires approval of Bank's Management namely: Group Head, President, Executive Committee, and Board.

9.7 NON-PERFORMING LOANS (NPL) AND ROPA

The table below sets forth details of the Bank's NPLs, non-accruing loans, ROPA, non-performing assets (as described below), restructured loans and write-offs for loan losses for the specified periods:

	For the Year Ended 31 December			30 June
Amount in millions (except percentages)	2023	2024	2025	2026
Gross non-performing loans(1)	1,962	1,694	2,220	2,237
Net non-performing loans(1)	567	666	1,033	982
Total loans(1)	127,509	135,552	167,366	156,583
Gross non-performing loans to total loans (%)(1)	1.54%	1.25%	1.33%	1.43%
Net non-performing loans to total loans (%)(1)	0.44%	0.49%	0.62%	0.63%

Non-performing loans(2)	1,962	1,694	2,220	2,237
Total loans	127,509	135,552	167,366	156,583
Total non-performing loans to total loans – excluding interbank loans (%)(3)	1.54%	1.25%	1.33%	1.46%
Total non-performing loan to total loans – including interbank loans (%)(4)	1.54%	1.25%	1.33%	1.43%
ROPA – net	2,370	2,534	2,727	2,646
Non-performing assets(5)	4,466	4,344	5,051	4,980
Non-performing assets as percentage of total resources (%)	1.94%	1.65%	1.77%	1.74%
Allowance for impairment of assets	1,701	1,360	1,697	1,675
Allowance for loan impairments	1,567	1,244	1,593	1,577
Allowance for loan impairments (General and Specific)	1,829	1,651	1,821	1,863
Allowance for ROPA impairments	134	116	104	97
Allowance for loan impairments as a percentage of total non-performing loans (NPL coverage ratio) (%)	79.90%	73.44%	71.75%	70.53%
Allowance for loan impairments as a percentage of total non-performing loans (NPL coverage ratio) (%) (General and Specific)	93.21%	97.47%	82.01%	83.29%
Allowances for impairment of assets as a percentage of non-performing assets (%)	3.00%	2.67%	2.05%	1.95%
Total restructured loans	1,045	866	964	930
Current	565	165	98	65
Past due	23	32	15	16
NPL	414	623	807	802
In litigation	43	46	45	47
Restructured loans as percentage of total loans (%)	0.82%	0.64%	0.58%	0.59%
Loans – written off	525	293	124	-

Notes

1. Per BSP Circular 772; includes Receivable from Special Purpose Vehicles (SPVs) presented under Other Resources
2. Excludes Receivable from Special Purpose Vehicles (SPVs)
3. Total non-performing loans divided by total loans excluding interbank loans.
4. Total non-performing loans divided by total loans including interbank loans.
5. Non-performing assets comprise of ROPA (gross) and non-performing loans

The Bank classifies loans as past due upon the occurrence of certain non-payment events, and then reclassifies such loans as "non-accruing" or "non-performing" upon continuing non-payment or payment default, in accordance with BSP guidelines. In the case of loans requiring repayment of principal at maturity or scheduled payment of principal or interest due quarterly (or longer), failure to make such payment on the due date triggers non-performing classification. In the case of loans requiring payment of principal or interest on a monthly basis, continued failure to make payment for three months from the due date triggers non-performing classification.

As of 30 June 2026, the Bank's ten largest NPLs amounted to ₱1.02 billion or approximately 0.67% of the Bank's total loans.

9.8 SECTORAL ANALYSIS OF NON-PERFORMING LOANS (NPLS)

The following table sets forth, as of the dates indicated, the Bank's gross NPLs by the respective borrowers' industry or economic activity and as a percentage of the Bank's gross NPLs:

	For the year ended 31 December						30 June	
In ₱ millions except percentages	**2023**		**2024**		**2025**		**2026**	
AGRI, FORESTRY AND FISHING	1.1	0.06%	0.0	0.00%	185.61	8.36%	181.77	8.19%
MANUFACTURING	283.1	14.43%	132.9	7.85%	61.60	2.77%	64.27	2.89%
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING	0	0.00%	0.0	0.00%	0.00	0.00%	0.00	0.00%
WATER SUPPLY,SEWERAGE,WASTE MNGT	1.9	0.10%	0.0	0.00%	0.00	0.00%	0.00	0.00%
CONSTRUCTION	149.9	7.64%	435.5	25.70%	17.50	0.79%	22.00	0.99%
WHOLESALE AND RETAIL TRADE,REPAIR OF MOTOR VEHICLES	324.9	16.56%	202.4	11.94%	261.36	11.77%	244.73	11.02%
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	0	0.00%	0.0	0.00%	-	0.00%	-	0.00%
TRANSPORTATION & STORAGE	40.7	2.07%	28.5	1.68%	39.17	1.76%	50.93	2.29%
INFORMATION AND COMMUNICATION	0	0.00%	2.2	0.13%	1.44	0.06%	1.23	0.06%
FINANCIAL AND INSURANCE ACTIVITIES	0	0.00%	0.0	0.00%	0.00	0.00%	0.00	0.00%
REAL ESTATE ACTIVITIES	543.3	27.69%	284.1	16.77%	683.33	30.77%	644.91	29.04%
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	0	0.00%	0.0	0.00%	0.00	0.00%	0.00	0.00%
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	27.4	1.40%	0.0	0.00%	70.69	3.18%	70.69	3.18%
EDUCATION	0	0.00%	-	0.00%	-	0.00%	-	0.00%

OTHER SERVICE ACTIVITIES	4	0.20%	0.0	0.00%	0.00	0.00%	0.00	0.00%
FOR HOUSEHOLD CONSUMPTION								
A.CREDIT CARD	217.2	11.07%	248.5	14.66%	321.33	14.47%	387.24	17.44%
B.AUTO LOANS	349.7	17.83%	335.1	19.78%	544.37	24.52%	542.69	24.44%
C. MOTORCYLCLE	1	0.05%	1.2	0.07%	1.54	0.07%	1.41	0.06%
D. SALARY	17	0.87%	23.4	1.38%	21.88	0.99%	24.06	1.08%
E.OTHERS	0.6	0.03%	0.5	0.03%	10.63	0.48%	0.65	0.03%
Gross Non-Performing Loans	**1,961.80**	**100.00%**	**1,694.3**	**100.00%**	**2,220.47**	**100.00%**	**2,236.58**	**100.73%**

Loans that are subsequently foreclosed or transferred to the Bank's ROPA account are removed from the non-performing category. Accrued interest arising from a loan account is classified according to the classification of the corresponding loan account. In accordance with BSP guidelines, loans and other assets in litigation are classified as non-performing assets. The Bank's non-performing assets principally comprise ROPA and NPLs.

9.9 FORECLOSURE AND DISPOSAL OF ASSETS

The Bank's preferred strategy for managing its exposure to NPLs that are secured is to restructure the payment terms of such loans. The Bank will only foreclose on an NPL if restructuring is not feasible or practical, or if the borrower cannot or will not repay the loan on acceptable terms. In the case of larger loans, the Bank may also consider accepting a dacion en pago arrangement.

As of 30 June 2026, the Bank sold ₱232.04 million of acquired assets in ROPA. The Bank had a net ROPA of ₱3.9 billion, ₱4.1 billion, ₱4.0 billion and ₱3.7 billion as of 30 June 2026, and FY 31 December 2025, 2024, and 2023, respectively, consisting of various real estate properties.

Under the current regulations, the Bank is required to conduct impairment testing on its acquired assets, which becomes the basis for the provisioning levels. The Bank's valuation reserves on ROPA amounted to ₱174.45 million, ₱194.13 million, ₱191.33 million, and ₱249.96 million, as of 30 June 2026, and FY 31 December 2025, 2024, and 2023, respectively.

SECTION 10. RISK MANAGEMENT

10.1 RISK PHILOSOPHY AND GUIDING PRINCIPLES

Bank's goal is to generate steady returns to shareholders' capital. With this objective in mind, the Bank's business principles, strategies, and operations are designed to achieve cash flows in excess of its obligations to its fund providers and stakeholders. To realize this, the Bank takes risks that are inherent in the conduct of its universal banking franchise. Risk taking presents opportunities to earn more-than-expected returns, provided that the risk-taking process is intentional, investigated, and controlled. The Bank's risk-taking activities are guided by the following principles:

- The Bank is in the business of taking risks;
- The Bank takes risks after a deliberate process to identify the risks, to dimension them, and to decide whether to reduce, avoid, accept, or transfer the risk;
- The Bank adopts risk management practices suited to the scope and sophistication of its business and in line with global best practices;
- The Bank's risk management is the concern of everyone.
- The Bank recognizes the independence of risk managers and risk takers from each other.

10.2 RISK APPETITE AND STRATEGY

The capital of the Bank, once invested, is already exposed to risks. The risk appetite of the Bank is the type and threshold of risk that it is willing to take or accept in the pursuit of its business objectives. This is based on the Bank's capacity to absorb risks, given its capital, liquidity, borrowing capabilities, or statutory restrictions.

The Risk Appetite Statements of the Bank are either quantitative or qualitative. Risk Appetite Statements are developed by the Bank to provide guidance on the various types of its risk exposures such as credit, market, liquidity, and operational risk.

The Bank's strategy to manage risk may be to reduce, avoid, accept, or transfer the risk. Management is under obligation to exercise reasonable care, skill, and caution when engaging in business to ensure the appetite is not exceeded, to maximize the value of capital, and to preserve it when an adverse event occurs. Each and every employee is responsible for implementing and adhering to the Bank's risk appetite while making business decisions daily.

10.3 RISK MANAGEMENT OVERSIGHT

The Bank's Board of Directors (BOD), Board Risk Oversight Committee (BROC), and Risk Management Division (RSK) are responsible for setting the overall risk management framework and risk appetite of the Bank. The BOD is the sole arbiter of the risks taken by the organization, with the discretion of determining what manner (strategic direction) and magnitude (risk appetite) of risks are suitable for the organization. The BOD develops both the strategic direction and the risk appetite with inputs provided by Management.

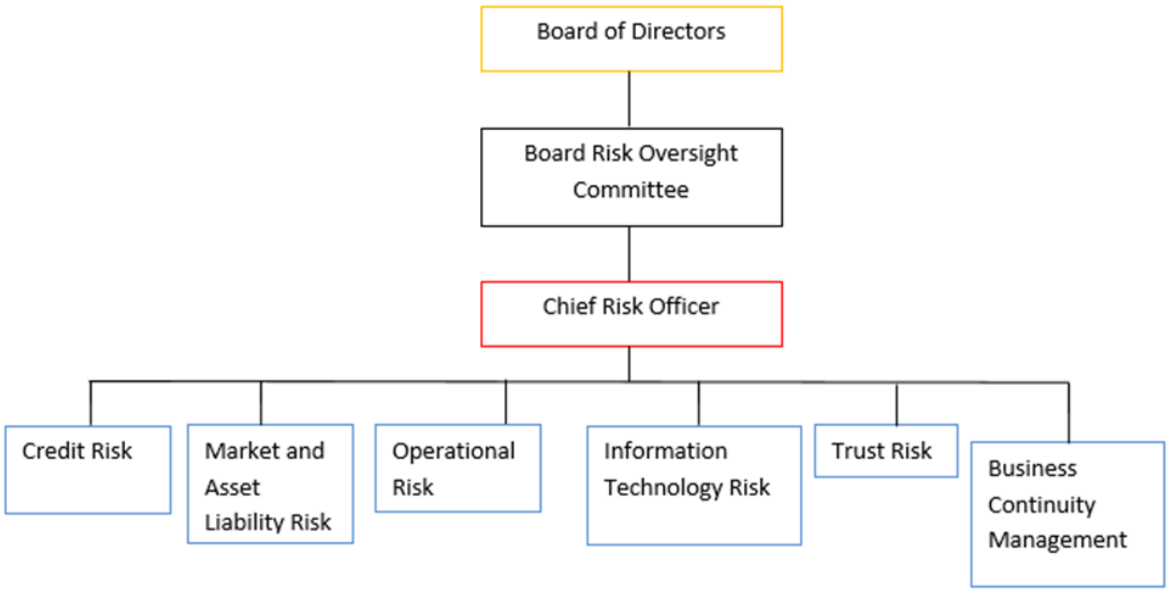
The Board established the BROC to oversee the promotion of a risk management culture within the Bank. The BROC is responsible for establishing and maintaining a sound risk management system. It assists the Board in its risk oversight function by:

- Identifying and evaluating risk exposures;
- Developing risk management strategies;
- Overseeing the risk management framework; and
- Promoting a culture that is conscious of the importance of risk management and capital adequacy.

The Bank considers the understanding and the management of risk as a key part of its business strategy. The RSK is mandated to strengthen the Bank's risk management infrastructure to meet the requirements of its business. The RSK implements the risk management directives of the Board and the BROC by:

- Formulating and recommending policies to manage market, liquidity, credit, operational, information technology, and trust risks arising from the business of the Bank;
- Implementing the risk management framework approved by the BOD;
- Actively promoting a culture of risk awareness and risk management; and
- Coordinating with Finance and Controllership Group on the adequacy of the Bank's capital in absorbing the risks present in the Bank's business.

The RSK reports to the Board through the BROC and is independent from the risk-taking business units of the Bank. Headed by the Chief Risk Officer, it comprises the following departments:



10.4 CREDIT RISK MANAGEMENT

The Credit Risk Management Department (CRM) has four (4) sections- Credit Review, Credit Risk Control, Credit Risk Modelling, and Portfolio Credit Risk, with each focusing on a major segment of the credit risk management process.

As part of the Bank's continuous assessment of the risks extended through its lending units, credit reviews are performed and act as independent and objective assessment of corporate and commercial loan exposures of the Bank. Borrowing accounts are reviewed if loans were granted in accordance with the Bank's credit policy. Loans are assessed on a post-approval basis to check if credit classifications are consistent with internal and regulatory standards and provisions are adequate following the ECL methodology of the Bank. Credit reviews provide assurance that lending portfolio quality is maintained and accounts are properly managed.

The CRM is responsible for developing and recommending policies that will aid in the management of credit risk present in the Bank's asset portfolios. The CRM is also in charge of developing, maintaining, and updating the Bank's credit risk models including the risk rating systems and scorecards. It is the department's duty to monitor credit risk exposures against established limits and report portfolio performance, including significant movements, asset quality, and levels of concentration to the BROC on a timely basis. It is CRM's responsibility to make sure that the Bank is always in compliance with the continuously evolving landscape of credit risk within the banking industry.

The CRM monitors credit exposures on a counterparty and portfolio level to ensure asset quality and concentration risks are within the Bank's risk appetite. Credit risk thresholds consist of regulatory commitments, internal limits, as well as industry benchmarks. Asset quality is measured through the Bank's Internal Credit Risk Rating System (ICRRS) for corporate accounts and expert scoring models, based on Fair Isaac Corporation (FICO), for consumer loans, including credit cards. These rating systems are monitored and validated on a regular basis. Concentration risks and large exposures are monitored and reported to the BROC and to Management on a regular basis. Concentrations are identified on a counterparty, industry, product, and country level. Regulatory and internally developed stress tests are also performed to evaluate the Bank's ability to absorb credit losses.

With the advent of PFRS 9, the Bank adopted the Expected Credit Loss (ECL) estimation methodology for impairment. CRM is in charge of developing, maintaining, and updating the ECL models of the Bank. Furthermore, it is the department's duty to estimate the quarterly ECL figures for the Bank.

10.5 CREDIT APPROVALS

10.5.1 Credit Rating/ Scoring System

The Bank's Internal Credit Risk Rating System ("**ICRRS**") is an established tool used to evaluate the credit risk associated with each borrower. It is a 10-grade rating scale that reflects an established blend of qualitative and quantitative factors containing both a borrower and facility dimension. The borrower dimension focuses on factors that affect the inherent credit quality of each borrower. The facility dimension, on the other hand, highlights the security and collateral arrangements and other similar risk influencing factors of each transaction.

In 2007, the Bank implemented a credit risk classification that is compatible with global rating standards in compliance with BSP. In 2018, the Bank completed the recalibration of the ICRRS.

Along with this, the Bank introduced expert scoring models for consumer loan applications (including credit cards) in 2015. These models together with other credit acceptance criteria are used to determine the Bank's application acceptance.

The Bank contracts external entities to review and validate the different rating models on a regular basis. Results of these validation exercises are reported to the management, the Board Risk Oversight Committee (BROC), and the Audit Committee.

10.5.2 Credit Approval Process

To ensure that the Bank is operating under a sound credit granting process, the approval for new credits as well as the amendment, renewal and refinancing of existing exposures has been aligned with the credit risk management structure of the Bank and clearly articulated in its written credit policy. In this process, the Bank has taken into consideration the different levels of appropriate approving authority and their corresponding approving authority limits, which have been commensurate with the risks of credit exposures. It likewise implements an escalation process where approval for restructuring of credits, policy exceptions or excesses in internal limits is escalated to individual/committee with higher authorities. More so, the Bank is practicing proper coordination of relevant units and individuals as well as sufficient controls to ensure acceptable credit quality at origination.

Credit proposals are presented and justified by the lending officers via Credit Proposal Memo (CPM) / Offering Memo (OM). Such presentation shall only be made after a thorough evaluation and analysis of the borrower and the source of repayment. And to be consistent with safe and sound banking practice, the Bank shall grant credits only in amounts and for the periods of time essential for the effective completion of the activity to be financed and after ascertaining that the borrower is capable of fulfilling its commitments to the Bank.

Credit approving authority limits are approved by the Board of Directors. Each level of authority can act upon the proposals and transactions within the limits of its authority and in accordance with policies, limitations and

restrictions set forth by the management and approved by the Board. Credit proposals that require committee approvals (i.e. Credit and Collection Committee, Executive Committee, and Board of Directors) are presented by the lending officers during the regular en banc meetings of each committee. There are, however, certain urgent transaction types that the policy allows to be routed to members of such committee for approval.

The Credit and Collection Committee plays a critical role in the credit approval process. It has the power to approve credit proposals of any sort, e.g. establishment, renewal, extension, increase/decrease, restructuring or settlement of a credit line or term loan, within its authority and to endorse those credit proposals which are beyond its authority to the Executive Committee and/or the Board of Directors. It has also the responsibility to ensure that credit accommodations to related parties falling below the materiality thresholds are granted on arms' length basis and are compliant with the set regulations.

10.5.3 Credit monitoring, Review Process, and DOSRI

In line with the BSP mandate for banks to effectively monitor the condition and quality of their individual and group credit portfolios, the Bank has developed and implemented comprehensive processes, procedures and information systems to attend to that mandate. These include criteria that identify and report problem credits to reasonably assure that they are appropriately monitored as well as administered and provided for. As such, any exception, breach and potential problem noted shall be promptly reported to management for corrective action, possible classification and/or provisioning and more frequent monitoring.

The Bank has established an independent unit to review the portfolio of the Corporate/commercial accounts and identify existing and potential areas of deterioration and assess the risks involved. In addition, the credit support units evaluate the degree to which a particular lending unit is complying with existing credit management policies.

Further to this, the Bank has been implementing an extensive monitoring of individual and aggregate exposures to its Directors, Officers, Stockholders and Related Interest (DOSRI). In the ordinary course of business, the Bank can have transactions with its directors, officers, stockholders and related interests ("**DOSRI**") and its Related Parties, provided these transactions are done on an arm's length basis, and within the prescribed statutory limits.

The total outstanding loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution to the Bank. Provided, however, that the unsecured loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall not exceed thirty percent (30%) of their respective total loans, other credit accommodations and guarantees.

On aggregate loans to DOSRI, the total outstanding loans, other credit accommodations and guarantees to DOSRI shall not exceed fifteen percent (15%) of the total loan portfolio of the Bank or 100% of the Bank's net worth, whichever is lower.
The Bank's DOSRI loans and receivables are summarized as follows:

	As of 31 December			30 June
	2023	**2024**	**2025**	**2026**
Amount	165,829	59,222	-	-
% to total loans	0.0002%	0.0002%	0.0000%	0.0000%

10.6 MARKET AND ASSET-LIABILITY RISK MANAGEMENT

10.6.1 Market Risk in the Trading Book

The Bank employs an internally developed Value-at-Risk (VAR) model, along with other sensitivity metrics, to measure and monitor the probable deterioration in the market value of its trading portfolio. The Market and Asset-

Liability Risk Management Department (MRM) simulates the trading book's VAR on a daily basis, and the results are compared against Board-approved limits. In addition to the risk appetite on VAR, the trading portfolio is also subject to limits on aggregate exposures, sensitivity metrics, daily, monthly, and full year losses, and stress testing. These controls provide insight on possible strategies to hedge or mitigate the market risk arising from the trading book.

10.6.2 Interest Rate Risk in the Banking Book

The MRM also regularly monitors the mismatches in the repricing of the Bank's assets and liabilities through the interest rate gap reports to the Asset Liability Management Committee (ALCO) and the BROC. To ensure that the Bank's net interest income is preserved, the Bank has set a limit for the maximum repricing gap, either positive or negative, for tenors up to 1 year. These limits are reviewed annually and form part of the Bank's risk appetite statements. The Bank also has an internally developed Earnings-at-Risk (EAR) metric for monitoring IRRBB.

EAR measures the contraction in the projected NII over the next 12 months, excluding pipeline deals through historical simulation of interest rate benchmarks. Non-maturing fixed-rate deposits or current-savings accounts (CASA) are split into three classifications: 1) stable and core deposits; 2) stable-but-non-core deposits and; 3) non-stable deposits. The volatile or non-stable portion of the NMD/CASA is slotted in the shortest time-bucket (i.e., less than one month). Stable-but-non-core portion is slotted based on an assumed repricing approximation. Stable-and-core portion is slotted in the 3 to 5-year bucket. The IRRBB model captures the possibility of borrowers prepaying their loans and time deposit customers pre-terminating their investments. The interest rate scenario of the model simulates the impact of interest rate movements on existing loans and deposits. More (less) prepayment is expected if interest rates decline (increase), while more (less) pre-termination is expected if interest rates increase (decrease).

The Bank utilizes Funds Transfer Pricing (FTP) as a mechanism to charge the asset businesses for funding (e.g., term loans, housing loans) and to compensate the units that generate funding (e.g., branch deposits). While the Bank is not and does not have intentions to hedge IRRBB via interest rate swaps in the short-term, it actively manages the interest rate mismatch by sourcing stable funds to match long-term assets. Trends, forecasts, and adjustments to the FTP are discussed and approved in the regular ALCO meeting.

10.6.3 Liquidity Risk

The MRM prepares a Maximum Cumulative Outflow (MCO) report which estimates projected funding requirements that the Bank will need at specific time horizons, to measure and monitor liquidity risk. The Bank has a set of internal limits on its MCO gaps to ensure sufficient liquidity, and any breach is reported to ALCO and the Board. Concentration on a single funding source is also regularly monitored to control the Bank's reliance on a specific product or counterparty. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors unique to the Bank, market-wide liquidity stress events, and combination of bank-specific and market-wide stress events. A contingency funding plan which covers quantitative and procedural measures is in place and may be applied under different stress scenarios.

10.7 OPERATIONAL RISK MANAGEMENT

The Operational Risk Management Department (ORMD) monitors the comprehensiveness and effectiveness of internal control systems employed by the Bank and oversees the performance of these systems to minimize operational risks and detect vulnerabilities while the consequences are still manageable or avoidable. It also provides timely assessments of inherent general and functional risks to ensure the operational soundness of the organization as an ongoing concern.

To assist management in meeting its responsibility to manage operational risk exposures, the ORMD monitors and evaluates the Bank's operational risk incidents and losses to ensure that the risk level is well within the Bank's

risk appetite and that any process and control gaps are promptly addressed. It also facilitates the implementation of bank-wide Risk and Control Self Assessments (RCSA), a proactive tool for identifying and assessing operational risks, as well as the control mechanisms employed by all banking units. To complement the RCSA, the ORMD, in partnership with business units, has continuously developed and maintained Key Risk Indicators (KRI). These KRIs help in the early detection of heightened risk or when risk levels approach or exceed acceptable ranges, prompting corrective actions and preventing further deterioration. On a monthly basis, the Department reports significant operational incidents and losses, as well as the results of RCSA facilitations and KRIs to the appropriate level of management and the BROC.

As part of its mandate to provide operational risk management (ORM) training and advice to business units on ORM issues, the Department assists in improving operational and system risk management capabilities through policy formulation. It conducts a risk assessment on new or revised bank products and services to ensure that adequate procedures and controls are embedded into the process prior to their implementation. The ORMD also conducts regular in-house trainings and issues regular advisories to Bank personnel to enhance employee awareness on operational risks and controls.

10.8 INFORMATION TECHNOLOGY RISK MANAGEMENT

The Information Technology (IT) risk forms part of the Bank's overall operational risk profile and is managed within the Bank's enterprise risk management framework. The Information Technology Risk Management Department (ITRM) is responsible for identifying, assessing, monitoring, and reporting risks arising from the Bank's use of information technology, digital transformation initiatives, and technology-enabled products and services.

The ITRM function operates under the leadership of the Chief Information Security Officer (CISO), providing centralized oversight of technology and cybersecurity risks while working within the Bank's established enterprise risk governance structure and oversight mechanisms.

The Bank's IT Risk Management Framework provides a structured approach to evaluating risks related to information security, system availability, and data integrity. This includes the assessment of inherent and residual risks associated with hardware, software, application, networks, and third-party technology dependencies.

Key IT risk indicators monitored by the Bank include system disruptions, cybersecurity threats, data loss or corruption, service downtime, and disaster recovery readiness. The Bank employs preventive, detective, and corrective controls to manage these risks, supported by defined incident management and escalation processes.

As part of its assurance activities, the Bank conducts vulnerability assessments and penetration testing and leverage both internal and external reviews to evaluate the effectiveness of its technology and information security controls. Finding from these activities are monitored and addressed in coordination with relevant units, with oversight provided by senior management and appropriate governance bodies.

10.9 TRUST RISK MANAGEMENT

Trust Risk Management (TRM) ensures the management of risks in the business operations of the Trust Services Group and reports to the Trust and Investment Committee (TIC) and the BROC. The TRM develops and enhances the policies and procedures in operational, credit, liquidity, and market risks, in accordance with the risk management framework of the Bank, to ensure that risk management practices continue to be effective and relevant to the ever evolving trust business. It is responsible for overseeing the implementation of approved strategies and for ensuring that controls are in place relative to its business activities that will limit fiduciary risks and reinforce compliance with laws and regulations.

10.10 BUSINESS CONTINUITY MANAGEMENT

Business Continuity Management (BCM) Department is responsible for facilitating the regular testing, updating, and execution of the Bank's Business Continuity Plan (BCP). Its activities follow the BCM life cycle recommended by regulators, ensuring that the Bank's critical processes and applications are identified and adequate preparations are in place to address various threats or disruptions.
BCM works closely with each business unit to assess and develop their respective Business Continuity Plans, ensuring alignment with the Bank's overall resilience objectives. Furthermore, BCM maintains continuous coordination and communication with all units to promote awareness and provide timely updates on emerging risks and developing events.

10.11 ANTI-MONEY LAUNDERING GOVERNANCE AND CULTURE

The Bank is committed to comply with the requirements of the Anti-Money Laundering (AML) Law, rules, and regulations as embodied in its Money Laundering and Terrorist Financing Prevention Program (MTPP) which is regularly updated or as need arises to reflect the constantly evolving regulations, the emerging money laundering/terrorist financing risks, and global best practices.

While Compliance Division monitors its implementation, the Bank's oversight board and management level committees, the Corporate Governance Committee and AML Committee, respectively, are tasked to oversee and implement the Bank's compliance with money laundering and terrorist financing prevention program and policies. This supports the Bank's mission of maintaining high ethical standards in the conduct of its business and ensures that the Bank does not become a conduit for dirty money or a victim of money laundering crime.

Identification of compliance risks enables the Bank to establish measures to mitigate such risks. Through the conduct of independent testing of branches and head office units, the Bank is able to identify the segment in the operational process where money laundering and terrorist financing risks are higher, and based on the testing results, implement improvements in the processes and segregate responsibilities among the units/personnel involved. Testing results are monitored until corrected and reported to the oversight committees to enable them to have an accurate assessment of the effectiveness and efficiency of the Bank's money laundering and terrorist financing prevention program.

The Bank seeks to instill a culture of compliance, with Compliance Division as the main driver of the Bank's initiatives to foster AML awareness and discipline. Compliance Division, in partnership with HRMDD, constantly enhances the Bank's training program to equip bank personnel with appropriate knowledge to achieve the Bank's goal of promoting effective implementation of the Anti-Money Laundering and Combating Financing of Terrorism (CFT) policies and procedures in the entire organization. The Bank provides training programs that are designed based on the degree of experiences to transactions that pose risks to money laundering/terrorist financing exposure, with varying focus for new employees, front line staff and officers, internal audit, senior management, and directors. All employees are also required to undergo annual refresher training which highlights their responsibilities under the MLPP.

The Bank endeavors to create a robust compliance culture where the programs and systems in place are adequate and effective to ensure that any risk associated with money laundering and terrorist financing is mitigated and thus, ensures that the interest of the Bank, its clients, and other stakeholders is protected.

10.12 RISK MEASUREMENT AND REPORTING SYSTEM

The Bank's capital adequacy is determined by measuring credit, market, and operational risk exposures using standardized or basic approaches as allowed by the BSP. Risk exposures are measured both individually and in aggregate amounts. Risk measurements are done by respective risk-taking personnel and groups but are independently validated, analyzed, and reported by the RSK. In cases where the risk measurement is performed by the RSK, another independent party, in-house or external, conducts a validation exercise.

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

Quality of credit is measured via risk classifications of accounts using an Internal Credit Risk Rating System that incorporates the BSP risk classifications of borrowing accounts. The Bank's front office recommends the credit risk rating of borrowing accounts and classifications and allowances for losses, including changes thereon, when necessary. All risk information is processed, analyzed, and consolidated for proper reporting to the BOD through the BROC, TIC, AuditCom, Senior Executive Team, and various management committees of the Bank.

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

The RSK streamlined the reporting of the enterprise-wide risk profile of the Bank through the periodic presentation and publication of the Risk Dashboard. This provides a readily available snapshot that highlights risk concerns encompassing the major business risk areas: Market, Asset and Liability, Credit, Corporate, Commercial and Consumer Lending, Operations, Information Technology, and Trust.

10.13 COMPLIANCE RISK

A strong compliance culture is the Bank's key to better manage compliance risk. This culture thrives upon a common understanding by all persons within the organization that it is a basic responsibility to know and have a working knowledge of the laws, rules, and regulations attendant to his functions. To reinforce this responsibility, units in charge of ensuring compliance with laws and regulations (legal, , tax) regularly disseminate any new issuances for the understanding of concerned units/personnel.

Compliance Division provides Business Operating Unit (BOU) guidance on the interpretation and application of BSP rules and regulations and other regulatory issuances with respect to the activities of the Bank. Breaches/deviations from these regulations are appropriately reported to the Senior Management, Corporate Governance Committee, and the Board for immediate/appropriate resolution.

In order to validate that compliance culture is observed on all aspects of the Bank's business, activities and processes, regular monitoring and assessment of adherence to laws, rules, and regulations are performed. For this purpose, the Bank implements the three-pronged approach in Compliance Testing: The Compliance Self-Assessment performed by the units themselves; the Independent Compliance Testing, a validation exercise performed by the Compliance Division on branches, head office units, and selected products/services; and finally supplemented by validation performed by Internal Audit on all units and branches included in the Annual Audit Plan.

Based on the Bank's Compliance Program where self-assessment is one of the pillars, Deputy Compliance Officers (DCO) and Deputy Risk and Compliance Officer (DRCO) are appointed within each of the operating and business units of the Bank to perform periodic self-testing. Using the Compliance Self-Assessment Checklist (CSAC) prepared by Compliance Division, Compliance Self-Assessment is done by the DCOs/DRCOs to check the level of compliance of their respective units with identified laws, rules, and regulations. The result of Compliance Self-Assessment is validated through the Independent Compliance Testing. Results of Compliance Self-Assessment and Independent Compliance Testing are reported to the Corporate Governance Committee and appropriate levels of Management. Follow-through is being done until findings/exceptions are fully corrected.

10.14 REPUTATIONAL RISK

Reputational risk proceeds from negative public opinion and has the potential to erode the perception of the Bank as a worthy counterparty or investment target. Negative perception on the part of customers, providers of funding, or regulators can adversely affect a bank's ability to maintain existing, or establish new business relationships, or to continue accessing sources of funding. The impact on reputation of events that may occur in the regular course of business remains a top priority of Senior Management and the Board. Customer complaints are monitored until resolved within set turnaround times. Moreover, products and services are offered to clients in accordance with their needs and risk sophistication.

10.15 LEGAL RISK

Legal risk arises from failure in the implementation of necessary control measures as well as imperfect documentation of transactions. The primary functions of the Bank's Legal Services Division (LSD) comprise rendering legal advice and document review to ensure that relevant laws are complied with, Bank interest is duly protected, and identified risks are imparted to responsible units of the Bank. The LSD handles cases filed for and against the Bank and provides Senior Management, the Corporate Governance Committee, and the BROC regular updates on any lawsuits involving the Bank.

10.16 PENSION RISK

The Bank enlists the assistance of third-party consultants to conduct actuarial evaluation on the condition of the retirement plan once a year in order to address any erosion in the explanatory power or significance of the actuarial models used to project benefit obligations.

Valuation of both the projected benefit obligation and the present value of the plan assets assume rates of discount, asset return, and compensation growth. These parameters may properly reflect market conditions at the time of measurement but later be non-reflective as market conditions change.

The annual third-party actuarial evaluation of the condition of the retirement plan considers the relevance of the assumption used in valuation and recommends the necessary adjustments to properly reflect the value of plan assets and liabilities. The valuation assumptions last underwent review and adjustment during the actuarial report of 2025.

10.17 MODEL RISK

The Bank contracts external entities to validate internal models used to measure market, asset and liability risks, as well as rating models for the classification of borrowers' credit risk and estimation of credit losses. Results of these validation exercises are reported to Management, the BROC, and the Audit Committee.

SECTION 11. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Bank's financial condition and results of operations should be read in conjunction with the Bank's audited financial statements for the years ended 2023, 2024 and 2025 and the Bank's unaudited and reviewed interim financial statements as of and for the six-month period ended 30 June 2026, and the related notes included elsewhere in this Offering Circular and the sections entitled "Selected Financial Information" and "Description of the Bank".

The selected financial information presented below were derived from its audited financial statements of the Bank as of and for the years ended 31 December 2023, 2024, and 2025 and from its unaudited and reviewed interim financial statements of the Bank as of and for the 6 months ended 30 June 2026, including condensed interim statements of income and condensed interim statements of cash flows for the 6 months ended 30 June 2025. The selected financial information presented below was prepared in accordance with PFRS Accounting Standards. The financial statements for the year ended 31 December 2025 was audited by Punongbayan & Araullo, while the financial statements for the years ended 31 December 2024 and 2023 were audited by R.G. Manabat & Co. in accordance with Philippine Standards on Auditing. The Bank's unaudited and reviewed interim financial statements as of and for the six-months period ended 30 June 2026, including condensed interim statements of income and condensed interim statements of cash flows for the 6 months ended 30 June 2025 was prepared in accordance with Philippine Standard on Review Engagements (PSRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" by Punongbayan & Araullo. The audited financial statements and reviewed interim financial statements, in each case, are qualified in their entirety by reference to those financial statements and the related notes thereto. The selected financial information set out below does not purport to project the results of operations or financial condition for any future period or date.

11.1 OVERVIEW

The Bank is a universal bank based in the Philippines which provides a wide range of banking and financial services such as deposit products, loans and trade finance, domestic and foreign fund transfers, foreign exchange, and trust services.

The Bank is one of the country's progressive universal banks, with a network of 142 Branches and 284 Automated Teller Machines (ATMs) strategically located nationwide, as of 30 June 2026 and with plans of further expanding its footprint nationwide to cover more areas and cater to identified markets that the Bank is currently serving.

Being part of the San Miguel Group, the Bank seeks to keep pace with its peers in the banking industry. Based on latest available data from the BSP, the Bank is currently ranked fourteenth (14^{th}) in terms of Total Assets among universal and commercial banks as of 31 March 2026

11.2 FACTORS AFFECTING THE BANK'S RESULTS OF OPERATIONS

The Bank's results of operations and financial condition and the comparability of the Bank's financial results over successive periods have been and will continue to be affected by a number of external factors, including, but not limited to, the following:

11.2.1 Execution of the Bank's Growth Strategy

The Bank's key focus areas for growth include growing its deposit base, expanding its loan portfolio, further diversifying its product and business portfolio to include investment banking and bancassurance products in order to diversify its income streams while pursuing continuous enhancement of its existing products and services.

The Bank's future performance will depend on its ability to implement these growth strategies successfully. For further details of the Bank's strategies, see *"Business—Strategies"*.

11.2.2 General Economic Conditions in the Philippines

The Bank derives the large majority of its revenues and operating profits from customers in the Philippines and its business is highly dependent on the Philippine economy. Demand for, and prevailing prices of, consumer goods and land, are all directly related to the strength of the Philippine economy, the overall levels of business activity in the Philippines and the amount of remittances received from OFWs. The Bank's results of operations vary from period to period in accordance with fluctuations in the Philippine economy, which is in turn influenced by a variety of factors, including political developments among others.

After the onset of the Asian economic crisis in 1997, the Philippines experienced economic turmoil characterized by currency depreciation, interest rate volatility, a significant decline in share prices on the PSE and a reduction of foreign currency reserves. Beginning in 2007, the Philippines was adversely affected by the slowdown in the U.S. economy, as well as the subsequent crisis in worldwide financial markets.

The GDP of the Philippines grew by 4.4% in 2025, moderating from 5.7% in 2024, amid softer domestic demand and external headwinds. Despite the slowdown, the country remains among the faster-growing economies in Southeast Asia, supported by resilient domestic consumption, improving economic and credit fundamentals, and a services-driven economy. For the Philippine banking industry, sustained economic activity continues to support loan growth while contributing to improvements in asset quality and a gradual reduction in gross non-performing loans (NPLs).

Any deterioration in the Philippine economy may adversely affect consumer sentiment and lead to a reduction in the Bank's consumer banking business. There can be no assurance that current or future Governments will adopt economic policies conducive to sustaining economic growth or improving the stability of the Philippine banking sector.

11.2.3 Competition

The Philippine banking industry is very competitive and the Bank competes against domestic and foreign banks that offer similar products and services as the Bank. Competition with other banks has and will continue to affect the cost of the Bank's funding and the Bank's ability to increase its market share of loans and deposits. The Bank also faces increasing competition in its target growth areas such as corporate lending, particularly to non-SMC borrowers, consumer banking such as auto, housing and credit cards as well as fee-income generating products and services such as remittance, trust and mobile banking and payment services. The liberalization of foreign participation in the Philippine banking industry has resulted in increased competition. Since liberalization, foreign banks have expanded from their traditional focus on Metro Manila and large-scale corporations to building their own networks to increase market share, primarily through acquisitions of small domestic savings banks. Foreign banks tend to benefit from the support of their parent companies or established regional operations but they are limited by local regulations to a maximum of six Philippine branches in order to protect the growth and participation of local banks. An increase in competition from foreign banks as a result of relaxed entry rules could adversely affect the Bank's results of operations and financial condition.

11.2.4 Interest Rates

Beginning in 2004, the Government reduced its borrowings and its budget deficit, achieved in part through Government improvements in cash and revenue management as well as various privatization programs. The interbank call loan rate, which is the rate on loans among Philippine banks for periods less than 24 hours, primarily for the purpose of covering reserve deficiencies, has increased from an average rate of 1.62% in 2021 to an average rate 4.639% on 30 June 2026. Commercial lending interest rates in the Philippines have generally followed the trends in Government borrowing rates, moving from an average range of 6.14% in 2019 to 7.59% as of June 2026 based on data from the BSP.[21]

[21] https://www.bsp.gov.ph/Statistics/Financial%20System%20Accounts/tab19_dir.aspx

The following tables set out certain domestic interest rates for the periods indicated:

	31 December			30 June
	2023	**2024**	**2025**	**2026**
Bank average lending rates(1)	7.55	7.89	7.84	7.59
Interbank call loan rate	6.29	6.39	5.36	4.48
Overnight reverse repurchase rates	5.63	6.32	5.22	4.42

Notes:
(1) Refers to the interest rate based on reporting U/KBs' interest income and outstanding peso-denominated loans
Source: BSP https://www.bsp.gov.ph/Statistics/Financial%20System%20Accounts/tab19_dir.aspx

Fluctuations in domestic market interest rates can have a significant impact on the Bank by affecting its interest income, cost of funding and general performance of its existing loan portfolio and other assets. Though the Bank has a relatively stable deposit base weighted towards CASA deposits, in a period of rising domestic interest rates, the Bank may be required to compete aggressively to attract deposits by offering higher rates to depositors in order to increase the Bank's loanable funds. However, as interest rates increase, the Bank aims to protect its profitability by adjusting its lending rates upward. The Bank believes that it is well-positioned for an increasing interest rate environment as most of its assets are short term in duration and may be re-priced as rates increase. However, increased interest rates on their customers' floating rate loans can also potentially negatively affect the Bank's business by increasing default rates among the Bank's borrowers, which could in turn lead to increases in the Bank's NPL portfolio and its real and other properties acquired ("**ROPA**"). Likewise, rising interest rates may impact the value of the Bank's investment securities resulting in unrealized marked to market losses in its trading and available for sale investment portfolios. Furthermore, the Bank may suffer trading losses as a result of the decline in value of these securities. As interest rate moves, the Bank dynamically balances its investment securities portfolio to manage its interest rate risks and mitigate such losses while maximizing the returns of its overall portfolio. However, the Bank has refocused its priorities in recent years away from reliance on trading gains and towards maximizing net interest margins. Finally, continued increases in market interest rates could adversely affect the liquidity levels of the Bank and the Philippine banking industry in general, which have in recent years been supported by the relatively low interest rate environment in the Philippines. The Bank actively manages its assets and liabilities to maximize income and minimize cost of funding, as well as to ensure that exposure to fluctuations in interest rates is kept within acceptable limits. In recent times, decreases in interest rates in the Philippines have resulted in increases in the Bank's fixed rate maturity securities portfolio and resulted in increased levels of trading and investment securities gains, which may not recur.

11.2.5 Liquidity

Among universal and commercial banks, gross loans to total deposits increased from 71.87% as of 31 December 2023 to 78.74% on 30 June 2026, based on data from the BSP. Growth in deposits was slower than growth in loans as gross loans increased by 11.20% from ₱14.20 billion as of 31 December 2024 to ₱16.39 billion as of 30 June 2026, while deposits increased by 6.70% from ₱19.10 billion as of 31 December 2024 to ₱20.82 billion as of 30 June 2026.[22]

[22] https://www.bsp.gov.ph/sites/FIS/SitePages/Loans-to-Deposits.aspx?web=1

11.3 KEY PERFORMANCE INDICATORS AND RATIOS

in %	2023	2024	2025	30 June 2026
Return on Ave Assets	1.25	1.22	1.28	1.47
Return on Ave Equity	9.52	9.44	10.14	11.56
NIM on Ave Earning Assets	4.28	4.17	4.35	4.68
Tier 1 Capital Ratio	19.09	16.81	15.72	16.31
Total CAR	19.88	17.58	16.48	17.07

11.3.1 Philippine Property Market

The Philippine real estate sector has shown sustained gains in the last few years due largely to increased remittances from OFWs, a steady growth in the business process outsourcing and call center industries, and relatively lower interest rates. Growth and developments are most pronounced in residential houses and condominiums, office and commercial buildings, and shopping malls/centers sub-sectors. A well-performing Philippine property market may lead to an increase in the Bank's loan book, whereas a poor performing property market may lead to an increase in NPLs.

11.3.2 Regulatory Framework

The Philippine banking industry is highly regulated by the BSP and operates within a framework that includes guidelines on capital adequacy, corporate governance, management, anti-money laundering and provisioning for NPLs. In May 2015, the BSP approved the guidelines for implementing of a more stringent capital adequacy structure required under Basel III. Further changes in these and other regulations applicable to the Bank may significantly affect its results of operations and financial condition. For example, the full version of PFRS Accounting Standards 9 went into effect on 1 January 2018, will have an effect on the classification and measurement of the Bank's eligible debt instruments under FVOCI and impairment methodology using ECL. In addition, the Bank is subject to certain tax rules specific to financial institutions. See *"The Philippine Banking Industry"* in this Offering Circular.

11.4 CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that are both (i) relevant to the presentation of the Bank's financial position and results of operations and (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increase, those judgments become even more subjective and complex. In order to provide an understanding of how the Bank's management forms its judgments about future events, including the variables and assumptions underlying its estimates, and the sensitivity of those judgments to different circumstances, the Bank has identified certain critical accounting policies. For more information on the Bank's critical accounting policies and management's use of assumptions and accounting judgments and estimates, see Notes 2 and 3 to the Bank's financial statements included elsewhere in this Offering Circular.

11.5 RESULTS OF OPERATIONS

11.5.1 For the six-month period ended 30 June 2026 compared with the six-month period ended 30 June 2025

11.5.1.1 Statement of Income for the period ended June 30, 2026 vs June 30, 2025

Amounts in Thousands	Year Ended		Horizontal analysis		Vertical analysis	
	Jun 30, 2026	Jun 30, 2025	Increase / (Decrease)		Jun 30, 2026	Jun 30, 2025
INTEREST INCOME						
Loans and receivables	5,682,051	5,238,392	443,659	8.47%	82.37%	86.46%
Investment securities at FVOCI and at amortized cost	1,984,004	1,473,290	510,715	34.66%	28.76%	24.32%
Due from Bangko Sentral ng Pilipinas and other banks	149,566	172,092	(22,526)	-13.09%	2.17%	2.84%
Interbank loans receivable and SPURA	324,446	269,698	54,748	20.30%	4.70%	4.45%
Financial assets at FVPL	122,378	129,801	(7,423)	-5.72%	1.77%	2.14%
	8,262,446	**7,283,273**	**979,174**	**13.44%**	**119.78%**	**120.20%**
INTEREST EXPENSE						
Deposit liabilities	1,523,914	1,441,717	82,197	5.70%	22.09%	23.79%
Lease liabilities	20,285	20,758	(472)	-2.27%	0.29%	0.34%
Bonds Payable	593,741	669,583	(75,842)	-11.33%	8.61%	11.05%
Bills payable and others	11,983	4,664	7,319	156.92%	0.17%	0.08%
	2,149,923	**2,136,722**	**13,201**	**0.62%**	**31.17%**	**35.26%**
NET INTEREST INCOME	**6,112,523**	**5,146,551**	**965,972**	**18.77%**	**88.61%**	**84.94%**
OTHER INCOME						
Trading and investment securities gains - net	(137,119)	38,244	(175,363)	-458.54%	-1.99%	0.63%
Service charges, fees and commissions	406,868	435,453	(28,585)	-6.56%	5.90%	7.19%
Foreign exchange gains - net	109,584	103,483	6,100	5.90%	1.59%	1.71%
Gains on foreclosure, and sale of property and equipment and foreclosed assets - net	340,690	288,699	51,991	18.01%	4.94%	4.76%
Miscellaneous	65,359	46,640	18,719	40.14%	0.95%	0.77%
	785,381	**912,519**	**(127,138)**	**-13.93%**	**11.39%**	**15.06%**
GROSS INCOME	**6,897,904**	**6,059,070**	**838,834**	**13.84%**	**100.00%**	**100.00%**
OTHER EXPENSES						
Compensation and fringe benefits	1,661,133	1,475,172	185,961	12.61%	24.08%	24.35%
Taxes and licenses	686,880	593,454	93,426	15.74%	9.96%	9.79%
Rent and utilities	367,584	340,550	27,034	7.94%	5.33%	5.62%
Depreciation and amortization	357,963	321,344	36,619	11.40%	5.19%	5.30%
Insurance	216,167	200,379	15,788	7.88%	3.13%	3.31%
Service Fees and Commissions	184,616	193,390	(8,775)	-4.54%	2.68%	3.19%
Subscription fees	114,328	113,555	772	0.68%	1.66%	1.87%
Entertainment and recreation	-	-	-	0.00%	0.00%	0.00%
Management and professional fees	35,715	42,545	(6,831)	-16.06%	0.52%	0.70%
Amortization of software costs	85,818	65,713	20,105	30.59%	1.24%	1.08%
Provision for credit and impairment losses	7,978	9,188	(1,210)	-13.17%	0.12%	0.15%
Miscellaneous	344,331	256,549	87,782	34.22%	4.99%	4.23%
	4,062,511	**3,611,840**	**450,671**	**12.48%**	**58.89%**	**59.61%**
INCOME BEFORE SHARE IN NET LOSS OF ASSOCIATE AND INCOME TAX	**2,835,393**	**2,447,230**	**388,163**	**15.86%**	**41.11%**	**40.39%**
SHARE IN NET LOSS OF ASSOCIATE	332	259	73	28.27%	0.00%	0.00%
INCOME BEFORE INCOME TAX	**2,835,061**	**2,446,971**	**388,090**	**15.86%**	**41.10%**	**40.39%**
INCOME TAX EXPENSE	726,242	586,278	139,964	23.87%	10.53%	9.68%
NET INCOME	**2,108,819**	**1,860,693**	**248,126**	**13.34%**	**30.57%**	**30.71%**

For the six months ended June 30, 2026, Bank of Commerce recorded an unaudited net income of ₱2.11 billion, reflecting a 13.34% increase from ₱1.86 billion in the same period last year. The robust performance was underpinned by sustained growth across core revenue streams, driven by net interest income, gains from foreign exchange transactions, and sale of properties and assets. The first half results reflect the Bank's sustained momentum stemming from solid performance of its core businesses supported by the effective execution of its strategies. This translated into a return on equity (ROE) of 11.56%, the highest level achieved since 2010.

Interest income from loans and receivables, contributing around 69% of total interest revenue, rose by 8.47% to ₱5.68 billion, up from ₱5.24 billion in the same period of 2025. This growth was primarily driven by the sustained expansion across the Bank's lending portfolio on an average daily balance basis. Interest income from investment securities measured at fair value through other comprehensive income (FVOCI) and at amortized cost increased by 34.66% to ₱1.98 billion from ₱1.47 billion in the same period last year, primarily driven by additional investments in government securities. On the other hand, financial assets at fair value through profit or loss (FVTPL) eased by 5.72% to ₱122.38 million from ₱129.80 million year-on-year as the Bank reduced its position at the onset of the war in the Middle East. Interest income from interbank loans receivable and SPURA rose by 20.30%, reaching ₱324.45 million this year compared to ₱269.70 million recorded a year ago, backed by higher earnings from call loans and term loan placements. While interest income on Due from the Bangko Sentral ng

Pilipinas and other banks declined by 13.09% to ₱149.57 million from ₱172.09 million from the previous year mainly attributable to lower returns generated from BSP overnight deposit and term facilities and reduced earnings from placements in local banks.

Total interest expense slightly rose to ₱2.15 billion from ₱2.14 billion in the same period last year, driven by the following: a 5.70% increase on interest on deposit liabilities, amounting to ₱1.52 billion compared to last year's ₱1.44 billion; and a significant increase of 156.92% in interest expense on bills payable totaling ₱11.98 million this year from ₱4.66 million in 2025. Conversely, interest expense from lease liabilities slightly declined to ₱20.29 million, a 2.27% decrease from ₱20.76 million of last year. Interest expense on bonds payable also dropped to ₱593.74 million, down by 11.33%, from ₱669.58 million of the same period last year. The Bank posted a net interest margin (NIM) of 4.68%, highest since SMC acquisition, reflecting enhanced asset yield management and disciplined management of funding.

Total other income decreased by 13.93%, attaining ₱785.38 million this year from ₱912.52 million in 2025. The decrease was mainly due to trading losses, partially offset by higher foreign exchange gains, ROPA sales-driven gains, and miscellaneous income. The Bank absorbed trading losses amounting to ₱137.12 million mainly due to persistent geopolitical tensions in the Middle East continued to drive market volatility. Similarly, service charges, fees, and commissions declined by 6.56% to ₱406.87 million from ₱435.45 million of last year. Foreign exchange gains increased by 5.90% to ₱109.58 million from ₱103.48 million in the same period last year, underscoring the resilience of its treasury operations and ability to capitalize on market opportunities. Gains on foreclosure, and sale of property and equipment and foreclosed assets increased by 18.01% to ₱340.69 million, driven by higher revenues from the sale of bank foreclosed assets. In addition, the Bank recorded higher miscellaneous income of ₱65.36 million, 40.14% higher from ₱46.64 million in the same period last 2025, due to recoveries on charged off assets.

Total expenses, including provisions for credit and impairment losses, increased by 12.48% in the current period of 2026 to ₱4.06 billion, consistent with the continued growth of the Bank's business operations. Despite the increase, the Bank maintained a cost-to-income ratio of 59%, reflecting sustained operational efficiency amid strong revenue growth. The rise in expenses was attributed to strategic investments in human capital, branch lites, technology, and other initiatives aimed at supporting the Bank's long-term growth and business development. Compensation and fringe benefits registered an increase of 12.61% to ₱1.66 billion, attributed to an expanded workforce and enhanced retention initiatives of the Bank. Taxes and licenses grew by 15.74% to ₱686.88 million, reflecting increased business activity and transaction volumes. Rent and utilities likewise increased by 7.94% to ₱367.58 million from ₱340.55 million in the prior year, primarily due to higher utility rates and operating requirements across the Bank's network. Nonetheless, ongoing cost optimization initiatives across facilities management, janitorial, and security services helped temper the rise in operating expenses. Depreciation and amortization increased by 11.40% to ₱357.96 million from last year's ₱321.34 million, reflecting the impact of the Bank's continued investments in technology and infrastructure. Similarly, amortization of software costs increased to ₱85.82 million from ₱65.71 million, owing to the acquisition and utilization of various software solutions during the period. Insurance expense rose by 7.88% to ₱216.17 million, primarily due to higher PDIC premiums on deposits. Moreover, subscription fees grew a tad bit, translating to a 0.68% increase to ₱114.33 million from ₱113.56 million, driven by the Bank's expanded utilization of IT-related subscription services. Conversely, expenses on service fees and commissions decreased by 4.54%, reaching ₱184.62 million this year due to reduced utilization of third-party services. Management and professional fees declined by 16.06% from last year's ₱42.55 million to ₱35.72 million. Meanwhile, miscellaneous expenses posted an increase of 34.22%, rising to ₱344.33 million from ₱256.55 million in 2025.

Notably, BankCom maintained strong asset quality, with provisions for credit and impairment losses declining by 13.17% to ₱7.98 million from the same period last year, reflecting disciplined risk management practices. The Bank maintained its prudent stance on credit risk management, reflected in a non-performing loans coverage ratio of 83.27%. The Bank's share in the net loss of its associate amounted to ₱0.33 million for the period, 28.27%

higher than the ₱0.26 million recorded in 2025. Income tax expense amounted to ₱726.24 million, reflecting a 23.87% increase from ₱586.28 million in the comparable period of 2025.

11.5.1.2 *Statement of Comprehensive Income for the period ended June 30, 2026 vs June 30, 2025*

The Bank posted a total comprehensive income of ₱701.74 million, 66.32% down from the ₱2.08 billion in the same period last year. This was primarily due to the unfavorable movements in the fair value of FVOCI debt securities

11.5.1.3 *Statement of Condition as of June 30, 2026 vs. December 31, 2025*

Amounts in Thousands	As of Jun 30, 2026	As of Dec 31, 2025	Jun 26 vs Dec 25 (Change)	Jun 26 vs Dec 25 (%Change)	% to Total Assets Jun 2026	% to Total Assets Dec 2025
Assets						
Cash & Other Cash Items	4,294,844	3,549,485	745,359	21.00%	1.49%	1.24%
Due from the BSP - net	22,526,531	18,053,931	4,472,600	24.77%	7.84%	6.29%
Due from Other Banks - net	7,243,621	2,105,187	5,138,434	244.08%	2.52%	0.73%
Interbank Loans Receivables - net	3,955,552	7,647,508	(3,691,956)	-48.28%	1.38%	2.67%
Financial Assets at at Fair Value through Profit or Loss	3,784,031	5,169,708	(1,385,677)	-26.80%	1.32%	1.80%
Financial Assets at at Fair Value through Other Comprehensive Income	31,748,993	35,018,310	(3,269,318)	-9.34%	11.04%	12.21%
Investment Securities at Amortized Cost - net	49,207,088	41,371,075	7,836,013	18.94%	17.11%	14.42%
Loans and Receivables - net	153,563,934	162,819,305	(9,255,371)	-5.68%	53.41%	56.76%
Non-current Assets Held for Sale	-	-	-	0.00%	0.00%	0.00%
Investment in Associate - net	33,111	33,421	(310)	-0.93%	0.01%	0.01%
Property and Equipment - net	1,999,810	2,016,723	(16,914)	-0.84%	0.70%	0.70%
Investment Properties - net	3,934,785	4,115,809	(181,024)	-4.40%	1.37%	1.43%
Deferred Tax Assets - net	438,519	269,766	168,753	62.56%	0.15%	0.09%
Other Assets - net	4,778,157	4,683,302	94,855	2.03%	1.66%	1.63%
Total Assets	**287,508,975**	**286,853,532**	**655,444**	**0.23%**	**100.00%**	**100.00%**
Liabilities and Capital						
Deposit Liabilities	**223,636,603**	**223,314,116**	**322,486**	**0.14%**	**77.78%**	**77.85%**
Demand	81,303,010	80,072,538	1,230,473	1.54%	28.28%	27.91%
Savings	121,286,828	118,415,300	2,871,528	2.42%	42.19%	41.28%
Time	21,046,764	24,826,278	(3,779,514)	-15.22%	7.32%	8.65%
Long-term Negotiable Certificate	-	-	-	0.00%	0.00%	0.00%
Financial Liabilities at FVPL	15,154	2,085	13,068	626.64%	0.01%	0.00%
Bills Payable	-	-	-	0.00%	0.00%	0.00%
Bonds Payable	17,911,061	17,881,001	30,061	0.17%	6.23%	6.23%
Manager's Checks	1,451,882	1,797,803	(345,921)	-19.24%	0.50%	0.63%
Accrued Interest, Taxes and Other Expenses	1,509,021	1,349,787	159,233	11.80%	0.52%	0.47%
Other Liabilities	6,611,832	5,930,702	681,129	11.48%	2.30%	2.07%
Total Liabilities	**251,135,552**	**250,275,495**	**860,057**	**0.34%**	**87.35%**	**87.25%**
Capital Funds	**36,373,423**	**36,578,036**	**(204,614)**	**-0.56%**	**12.65%**	**12.75%**
Total Liabilities & Capital	**287,508,975**	**286,853,532**	**655,444**	**0.23%**	**100.00%**	**100.00%**

As of June 30, 2026, the Bank's total assets stood strong at ₱287.51 billion. This translated to a return on assets (ROA) of 1.47%. Asset movements are as follows: Cash and other cash items increased by 21.00%, amounting to ₱4.29 billion, reflecting stronger liquidity levels and growth in deposit balances. Similarly, due from BSP rose by 24.77% to ₱22.53 billion from ₱18.05 billion as of 31 December 2025, attributable to higher overnight deposit facility placements. Due from other banks more than tripled to ₱7.24 billion from ₱2.11 billion as of 31 December 2025 due to increased placements in foreign banks. Meanwhile, interbank loan receivables declined by 48.28% to ₱3.96 billion from ₱7.65 billion on the back of the reduced loans and receivables arising from reverse repurchase agreements.

Financial assets at fair value through profit or loss (FVPL) and financial assets at fair value through other comprehensive income (FVOCI), decreased to ₱3.78 billion and ₱31.75 billion, respectively, from ₱5.17 billion and ₱35.02 billion. These portfolio reductions were aimed at mitigating the impact of geopolitical tensions in the Middle East. In contrast, investment securities at amortized cost increased by 18.94% to ₱49.21 billion from ₱41.37 billion in 31 December 2025, driven by additional investments in government securities to lock in higher yields.

Loans and receivables, which account for 53.41% of total assets, reached ₱153.56 billion, a 5.68% decrease from ₱162.82 billion as of 31 December 2025. The slight dip was due to scheduled repayments and maturities during

the period. Nevertheless, the Bank sustained its lending momentum, particularly in the consumer segment, supported by continued engagement within the client-rich SMC ecosystem. This resulted in a loan-to-deposit ratio of 70%. Gross non-performing loans (NPL) and net NPL ratios were at 1.43% and 0.63%, respectively.

Property and equipment slightly declined by 0.84% to ₱2.00 billion from ₱2.02 billion. Investment properties also posted a decrease of 4.40% to ₱3.93 billion from ₱4.12 billion, primarily due to disposal of bank-owned properties. Furthermore, the Bank's investment in associate marginally dipped by 0.93% to ₱33.11 million. Deferred tax assets rose by 62.56% from last year to ₱438.52 million. Similarly, other assets edged up by 2.03% to ₱4.78 billion from ₱4.68 billion due to an increase in miscellaneous assets.

Total liabilities slightly increased to ₱251.14 billion as of 30 June 2026, 0.34% higher from the ₱250.28 billion as of 31 December 2025. Deposit liabilities, which comprise 89.05% of the Bank's total liabilities, increased by 0.14% to ₱223.64 billion from ₱223.31 billion of last year, supported by steady growth in current and savings deposits. Broken down, total deposits consisted of ₱202.59 billion in current and savings accounts (CASA), posting an increase of 2.07% from ₱198.49 billion as of 31 December 2025. Time deposits declined by 15.22%, settling at ₱21.05 billion compared to the ₱24.83 billion recorded as of 31 December 2025. Financial liabilities at FVPL surged by more than seven (7) times, amounting to ₱15.15 million this period, owing to higher foreign exchange derivatives. Bonds payable stayed relatively flat at ₱17.91 billion, marking a 0.17% increase from last year's level of ₱17.88 billion. During the period, the bank successfully maintained its bond funding base, reflecting continued investor confidence with its sound financial position. Accrued interest, taxes, and other expenses rose by 11.80%, amounting to ₱1.51 billion. Other liabilities also increased by 11.48% to ₱6.61 billion from ₱5.93 billion, largely due to increases in miscellaneous and accounts payable during the period. In contrast, manager's checks posted a decrease of 19.24%, reaching ₱1.45 billion as of June 30, 2026.

The Bank's total capital funds remained stable at ₱36.37 billion as of 30 June 2026, representing a slight decrease of 0.56% from the ₱36.58 billion recorded as of 31 December 2025. Despite the modest decline, the Bank's sustained profitability and continued accumulation of retained earnings helped maintain a strong capital position during the period. The bank's capital adequacy ratio (CAR) remained strong at 17.07%, still well above the minimum regulatory requirement of 10.0%.

11.5.2 For the year ended 31 December 2025 compared with year ended 31 December 2024

Amounts in Thousands	Year Ended		Horizontal analysis		Vertical analysis	
	Dec 31, 2025	Dec 31, 2024	Increase / (Decrease)		Dec 31, 2025	Dec 31, 2024
INTEREST INCOME						
Loans and receivables	10,833,712	9,428,536	1,405,176	14.90%	85.92%	87.66%
Investment securities at FVOCI and at amortized cost	3,340,322	2,686,906	653,416	24.32%	26.49%	24.98%
Due from Bangko Sentral ng Pilipinas and other banks	304,740	379,440	(74,699)	-19.69%	2.42%	3.53%
Interbank loans receivable and SPURA	553,060	542,048	11,012	2.03%	4.39%	5.04%
Financial assets at FVPL	285,715	126,910	158,805	125.13%	2.27%	1.18%
	15,317,549	**13,163,840**	**2,153,709**	**16.36%**	**121.49%**	**122.38%**
INTEREST EXPENSE						
Deposit liabilities	3,029,162	3,465,676	(436,514)	-12.60%	24.02%	32.22%
Lease liabilities	42,711	39,167	3,543	9.05%	0.34%	0.36%
Bonds Payable	1,439,443	532,934	906,509	170.10%	11.42%	4.95%
Bills payable and others	27,859	15,133	12,726	84.10%	0.22%	0.14%
	4,539,175	**4,052,910**	**486,265**	**12.00%**	**36.00%**	**37.68%**
NET INTEREST INCOME	**10,778,373**	**9,110,930**	**1,667,444**	**18.30%**	**85.48%**	**84.70%**
OTHER INCOME						
Trading and investment securities gains - net	96,109	(1,040)	97,149	-9340.15%	0.76%	-0.01%
Service charges, fees and commissions	947,924	1,074,764	(126,840)	-11.80%	7.52%	9.99%
Foreign exchange gains - net	251,642	127,618	124,023	97.18%	2.00%	1.19%
Gains on foreclosure, and sale of property and equipment and foreclosed assets - net	402,395	341,527	60,868	17.82%	3.19%	3.18%
Miscellaneous	132,071	102,575	29,496	28.76%	1.05%	0.95%
	1,830,140	**1,645,444**	**184,696**	**11.22%**	**14.52%**	**15.30%**
GROSS INCOME	**12,608,513**	**10,756,374**	**1,852,140**	**17.22%**	**100.00%**	**100.00%**
OTHER EXPENSES						
Compensation and fringe benefits	3,036,896	2,636,796	400,100	15.17%	24.09%	24.51%
Taxes and licenses	1,122,806	1,094,553	28,253	2.58%	8.91%	10.18%
Rent and utilities	699,954	622,696	77,257	12.41%	5.55%	5.79%
Depreciation and amortization	672,580	623,167	49,412	7.93%	5.33%	5.79%
Insurance	412,855	383,986	28,869	7.52%	3.27%	3.57%
Service Fees and Commissions	425,566	495,120	(69,554)	-14.05%	3.38%	4.60%
Subscription fees	229,409	106,359	123,050	115.69%	1.82%	0.99%
Entertainment and recreation	16,935	19,368	(2,433)	-12.56%	0.13%	0.18%
Management and professional fees	92,775	97,914	(5,138)	-5.25%	0.74%	0.91%
Amortization of software costs	144,821	95,598	49,223	51.49%	1.15%	0.89%
Provision for credit and impairment losses	382,201	139,412	242,788	174.15%	3.03%	1.30%
Miscellaneous	563,747	498,086	65,661	13.18%	4.47%	4.63%
	7,800,545	**6,813,056**	**987,489**	**14.49%**	**61.87%**	**63.34%**
INCOME BEFORE SHARE IN NET LOSS OF ASSOCIATE AND INCOME TAX	**4,807,968**	**3,943,318**	**864,650**	**21.93%**	**38.13%**	**36.66%**
SHARE IN NET LOSS OF ASSOCIATE	841	611	230	37.73%	0.01%	0.01%
INCOME BEFORE INCOME TAX	**4,807,127**	**3,942,707**	**864,420**	**21.92%**	**38.13%**	**36.65%**
INCOME TAX EXPENSE	1,267,258	917,768	349,489	38.08%	10.05%	8.53%
NET INCOME	**3,539,869**	**3,024,939**	**514,930**	**17.02%**	**28.08%**	**28.12%**

11.5.2.1 Statement of Income for the Year Ended 31 December 2025 vs 31 December 2024

For the year-ended December 31, 2025, Bank of Commerce posted a record-high net income of ₱3.54 billion, reflecting a 17.02% increase from ₱3.02 billion in the same period in 2024. The performance outpaced the previous year's, highlighting steady growth in the bank's core revenue streams, driven by net interest income and gains from trading and foreign exchange gains. This milestone reflects another strong result of BankCom's continuous commitment to excellence and strong performance, underscoring its resilience in navigating market shifts.

Interest income from loans and receivables, which represents almost 86% of total revenue, grew by 14.90% to ₱10.83 billion, up from ₱9.43 billion in the same period of 2024. The growth was due to the sustained expansion across the Bank's lending portfolio. Interest income from investment securities measured at fair value through other comprehensive income (FVOCI) and at amortized cost rose by 24.32% to ₱3.34 billion, higher than the ₱2.69 billion in the prior year. Similarly, interest income from financial assets at fair value through profit or loss (FVTPL) posted continuous growth, doubling to ₱285.72 million from ₱126.91 million, as the Bank held on to its position in anticipation of further rate cuts. Interest income on due from Bangko Sentral ng Pilipinas and other banks declined by 19.69% to ₱304.74 million from ₱379.44 million in the same period last year, reflecting the impact of recent policy rate cuts. In contrast, interest income from interbank loans receivable and SPURA recorded a modest increase of 2.03% to ₱553.06 million, compared with ₱542.05 million in 2024.

Total interest expense increased to ₱4.54 billion, up 12.00% from ₱4.05 billion last year. Interest expense on bonds payable increased significantly to ₱1.44 billion, almost 3x the ₱532.94 million last year, on the back of the successful and largest-to-date peso issuance of under the Bank's dual tranche bond issuance 19 February 2025. Interest expense on bills payable also rose by 84.10% to ₱27.86 million from ₱15.13 million. Furthermore, interest on lease liabilities rose by 9.05% to ₱42.71 million. These increases were partly offset by a 12.60% reduction in interest expense on deposit liabilities, which declined to ₱3.03 billion from ₱3.47 billion, due to the maturity of the long-term negotiable certificate of deposits (LTNCD) and lower policy rates.

With the interest income growing faster than interest expense, the Bank generated ₱10.78 billion in net interest income, 18.30% higher from last year's ₱9.11 billion, translating to a net interest margin (NIM) of 4.35%. Total other income increased by 11.22% to ₱1.83 billion from ₱1.65 billion last year, supported by broad-based growth across key non-interest revenue streams. The increase was led by a sharp 97.18% rise in foreign exchange gains, which nearly doubled to ₱251.64 million from ₱127.62 million in 2024, reflecting higher volumes of foreign exchange transactions facilitated by the Bank. Trading and investment securities gains rose to ₱96.11 million, a turnaround from last year's (₱1.04) million, reflecting favorable trading results and strong investment performance. Gains from foreclosure and the sale of property, equipment, and foreclosed assets also grew by 17.82% to ₱402.40 million, driven by higher revenues from the sale of assets. Miscellaneous income also gained a 28.76% increase to ₱132.07 million from ₱102.58 million, primarily supported by higher volume of transactions. On the other hand, service charges, fees, and commissions declined by 11.80% to ₱947.92 million from ₱1.07 billion in the same period last year, on account of lower underwriting fees.

Total operating expenses (OPEX), including provisions for credit and impairment losses, were up by 14.49% to ₱7.80 billion. The growth in operating expenses was mainly due to the Bank's continued strategic investments in human capital, information technology infrastructure, alongside a greater volume of business transactions supportive of the Bank's expanding operations. Despite the increase in OPEX, the Bank recorded a cost-to-income ratio of 58.84%, reflecting sustained operational efficiency amid continued revenue growth. Compensation and fringe benefits grew by 15.17% to ₱3.04 billion, driven by an expanded workforce and enhanced retention initiatives. Taxes and licenses increased moderately by 2.58% from last year to ₱1.12 billion, attributable to higher business volumes associated with operational transactions. Rent and utilities rose to ₱699.95 million, a 12.41% increase from ₱622.70 million last year, due to higher utility costs, security services, rent of bank premises and office equipment, as well as repairs and maintenance expenses. Depreciation and amortization grew by 7.93% to ₱672.58 million from last year's ₱623.17 million. The rise was driven by higher depreciation charges on property, plant and equipment, leasehold rights improvements, and foreclosed assets. In addition, amortization of software costs increased to ₱144.82 million from ₱95.60 million, reflecting continued investments in technology to support operational efficiency and long-term growth.

Insurance expenses rose by 7.52% to ₱412.86 million, attributed to higher PDIC premiums on deposits. Subscription fees also grew more than 2x to ₱229.41 million from ₱106.40 million, underpinned by the Bank's expanded utilization of IT-related subscription services. However, expenditure on service fees and commissions contracted by 14.05% to ₱425.57 million compared to ₱495.12 million last year, attributed to much lower transaction expenses on information technology and consumer interbank processes. Entertainment and recreation expenses also went down to ₱16.94 million, a decrease of 12.56% from ₱19.37 million from last year, signaling a more modest spending towards clients and public representation initiatives, further supported by the bank's ongoing digital pivot. Management and professional fees eased by 5.25% to ₱92.78 million from last year's ₱97.91 million, following the completion of key projects. On the other hand, miscellaneous expenses increased by 13.18% to ₱563.75 million from ₱498.09 million in 2024.

The Bank maintained a prudent risk management approach by setting aside ₱382.20 million as additional provision for credit and impairment losses, in line with its existing risk appetite. The Bank's share in the net loss of its associate amounted to ₱0.84 million for the period, higher than the ₱0.61 million recorded in 2024. Income tax expense amounted to ₱1.27 billion, reflecting a 38.08% increase from ₱917.77 million in the comparable period of 2024.

11.5.2.2 Statement of Comprehensive Income for the Year Ended 31 December 2025 vs 31 December 2024

The Bank posted a total comprehensive income of ₱4.20 billion, 38.42% up from the ₱3.03 billion in the same period last year. This was primarily driven by the higher net income in 2025 and favorable movements in the fair value of FVOCI debt securities.

11.5.2.3 Statement of Condition as of 31 December 2025 vs. 31 December 2024

Amounts in Thousands	As of Dec 31, 2025	As of Dec 31, 2024	Dec 25 vs Dec 24 (Change)	Dec 25 vs Dec 24 (%Change)	% to Total Assets Dec 2025	% to Total Assets Dec 2024
Assets						
Cash & Other Cash Items	3,549,485	4,244,124	(694,639)	-16.37%	1.24%	1.60%
Due from the BSP - net	18,053,931	47,913,457	(29,859,526)	-62.32%	6.29%	18.05%
Due from Other Banks - net	2,105,187	3,819,385	(1,714,198)	-44.88%	0.73%	1.44%
Interbank Loans Receivables - net	7,647,508	3,587,365	4,060,143	113.18%	2.67%	1.35%
Financial Assets at at Fair Value through Profit or Loss	5,169,708	2,875,634	2,294,074	79.78%	1.80%	1.08%
Financial Assets at at Fair Value through Other Comprehensive Income	35,018,310	19,078,634	15,939,676	83.55%	12.21%	7.19%
Investment Securities at Amortized Cost - net	41,371,075	36,611,668	4,759,407	13.00%	14.42%	13.79%
Loans and Receivables - net	162,819,305	136,505,340	26,313,964	19.28%	56.76%	51.43%
Non-current Assets Held for Sale	-	-	-	0.00%	0.00%	0.00%
Investment in Associate - net	33,421	34,433	(1,011)	-2.94%	0.01%	0.01%
Property and Equipment - net	2,016,723	2,000,100	16,623	0.83%	0.70%	0.75%
Investment Properties - net	4,115,809	3,992,770	123,039	3.08%	1.43%	1.50%
Deferred Tax Assets - net	269,766	447,021	(177,254)	-39.65%	0.09%	0.17%
Other Assets - net	4,683,302	4,330,137	353,165	8.16%	1.63%	1.63%
Total Assets	**286,853,532**	**265,440,067**	**21,413,464**	**8.07%**	**100.00%**	**100.00%**
Liabilities and Capital						
Deposit Liabilities	**223,314,116**	**212,007,958**	**11,306,159**	**5.33%**	**77.85%**	**79.87%**
Demand	80,072,538	63,961,972	16,110,566	25.19%	27.91%	24.10%
Savings	118,415,300	125,100,493	(6,685,193)	-5.34%	41.28%	47.13%
Time	24,826,278	17,916,073	6,910,205	38.57%	8.65%	6.75%
Long-term Negotiable Certificate	-	5,029,420	(5,029,420)	-100.00%	0.00%	1.89%
Financial Liabilities at FVPL	2,085	45,214	(43,129)	-95.39%	0.00%	0.02%
Bills Payable	-	-	-	0.00%	0.00%	0.00%
Bonds Payable	17,881,001	6,534,448	11,346,553	173.64%	6.23%	2.46%
Manager's Checks	1,797,803	1,414,092	383,711	27.13%	0.63%	0.53%
Accrued Interest, Taxes and Other Expenses	1,349,787	1,098,193	251,594	22.91%	0.47%	0.41%
Other Liabilities	5,930,702	11,110,095	(5,179,393)	-46.62%	2.07%	4.19%
Total Liabilities	**250,275,495**	**232,210,000**	**18,065,495**	**7.78%**	**87.25%**	**87.48%**
Capital Funds	**36,578,036**	**33,230,067**	**3,347,969**	**10.08%**	**12.75%**	**12.52%**
Total Liabilities & Capital	**286,853,532**	**265,440,067**	**21,413,464**	**8.07%**	**100.00%**	**100.00%**

The Bank's total assets reached ₱286.85 billion, marking an increase of 8.07% from ₱265.44 billion as of 31 December of 2024. This translated to a return on assets (ROA) of 1.28%. Asset movements are as follows: Cash and other cash items contracted by 16.37% to ₱3.55 billion attributed to the rationalization of branch-level cash holdings, in line with evolving transaction volumes. Due from BSP significantly decreased by 62.32% to ₱18.05 billion from ₱47.91 billion last year due to the drop in the overnight deposit facility (ODF) placements. Similarly, due from other banks also fell by 44.88% to ₱2.11 billion this year from ₱3.82 billion of the previous year, on account of lower placements across local and foreign banks. These changes occurred as the Bank allocated liquidity to higher yielding assets. Interbank loan receivables expanded to ₱7.65 billion, more than doubling from ₱3.59 billion in 2024, reflecting disciplined balance-sheet optimization through expanded interbank lending.

Financial assets at fair value through profit or loss (FVPL) and financial assets at fair value through other comprehensive income (FVOCI), significantly increased to ₱5.17 billion and ₱35.02 billion, respectively, from ₱2.88 billion and ₱19.08 billion in the previous year, mainly due to additional purchases. Investment securities at amortized cost also rose to ₱41.37 billion or 13.00% from ₱36.61 billion of last year, as the bank expanded its positions across portfolios in anticipation of further yield declines. This outlook is supported by low inflation and economic growth backdrop, which may prompt the Bangko Sentral ng Pilipinas (BSP) to implement additional interest rate cuts.

Loans and other receivables, which accounted for over 56% of total assets, reached ₱162.82 billion, 19.28% higher from ₱136.51 billion as of end-2024. The growth was driven by the expansive growth of the Bank's lending portfolio, particularly within the corporate and consumer segments, with ongoing focus on the SMC ecosystem. This growth supported a loan-to-deposit ratio of 74.95%. Gross non-performing loans (NPL) and net NPL ratios were at 1.33% and 0.62%, respectively. Property and equipment marginally increased by 0.83% to ₱2.02 billion from ₱2.00 billion last year. Investment properties increased modestly by 3.08%, reaching ₱4.12 billion from ₱3.99 billion, primarily due to increase in real and other properties acquired (ROPA). Conversely, the Bank's investment in associate declined by 2.94% to ₱33.42 million. Deferred tax assets dropped by 39.65% from last year to ₱269.77 million, while other assets grew by 8.16% to ₱4.68 billion from ₱4.33 billion, supported by growth in deferred software costs and miscellaneous assets.

Total liabilities increased to ₱250.28 billion as of 31 December 2025, 7.78% higher from the ₱232.21 billion as of 31 December 2024. Deposit liabilities, which comprise 89% of the Bank's total liabilities, increased by 5.33% to ₱223.31 billion, from ₱212.01 billion of last year. The increase was attributed to the success of one of the bank's promotional strategies and initiatives, namely the "Accelerate Your Savings" campaign. Broken down, total deposits consisted of ₱198.49 billion in current and savings accounts (CASA), posting a 4.99% increase from ₱189.06 billion in 2024. Time deposits also further scaled at ₱24.83 billion, 38.57% up from the ₱17.92 billion recorded in 2024, this is despite the maturity of its long-term nil negotiable certificate of deposit.

Financial liabilities at FVPL significantly reduced to ₱2.09 million, or 95.39% down from last year's ₱45.21 million on the back of lower foreign exchange derivatives. Bonds payable were more than double from the ₱6.53 billion in 2024 to ₱17.88 billion, mainly driven by the successful issuance of the Bank's dual-tranche fixed rate bonds on 19 February 2025 amounting to ₱18 billion - ₱10 billion carrying a 6.1942% coupon rate and ₱8 billion with a 6.3494% coupon rate. Series C Bonds amounting to ₱10 billion and Series D Bonds at ₱8 billion will mature in 2027 and 2030, respectively. Manager's checks posted growth of 27.13%, reaching ₱1.80 billion versus the previous year owing to the increase in checks written for third party service providers and suppliers. Accrued interest, taxes, and other expenses also rose by 22.91% to ₱1.35 billion. In contrast, other liabilities declined to ₱5.93 billion, 1.87x down from ₱11.11 billion, owing to a reduction in accounts payable during the period.

The Bank's total capital continued to expand reaching ₱36.58 billion as of 31 December 2025, 10.08% up from the ₱33.23 billion in 2024, despite the79% increase in dividend payments. On July 15, 2025, the Bank paid dividends amounting to ₱0.2500 per regular common share and ₱0.2000 per special common share for a total payout of ₱851.36 million. The growth in capital was supported by the strong financial performance and the reinvestment of earnings, reflecting its sustained capacity to generate and retain capital. The bank's capital adequacy ratio (CAR) remained strong at 16.48%, well above the minimum regulatory requirement of 10.0%.

11.5.3 For the year ended 31 December 2024 compared with year ended 31 December 2023

Amounts in Thousands	Year Ended		Horizontal analysis		Vertical analysis	
	Dec 31, 2024	Dec 31, 2023	Increase / (Decrease)		Dec 31, 2024	Dec 31, 2023
INTEREST INCOME						
Loans and receivables	9,428,536	8,244,673	1,183,864	14.36%	87.66%	82.65%
Investment securities at FVOCI and at amortized cost	2,686,906	2,247,720	439,186	19.54%	24.98%	22.53%
Due from Bangko Sentral ng Pilipinas and other banks	379,440	372,910	6,530	1.75%	3.53%	3.74%
Interbank loans receivable and SPURA	542,048	875,706	(333,658)	-38.10%	5.04%	8.78%
Financial assets at FVPL	126,910	21,561	105,349	488.60%	1.18%	0.22%
	13,163,840	**11,762,570**	**1,401,270**	**11.91%**	**122.38%**	**117.92%**
INTEREST EXPENSE						
Deposit liabilities	3,465,676	2,971,181	494,495	16.64%	32.22%	29.79%
Lease liabilities	39,167	32,817	6,350	19.35%	0.36%	0.33%
Bonds Payable	532,934	412,986	119,948	29.04%	4.95%	4.14%
Bills payable and others	15,133	49,098	(33,965)	-69.18%	0.14%	0.49%
	4,052,910	**3,466,083**	**586,827**	**16.93%**	**37.68%**	**34.75%**
NET INTEREST INCOME	**9,110,930**	**8,296,487**	**814,443**	**9.82%**	**84.70%**	**83.17%**
OTHER INCOME						
Trading and investment securities gains - net	(1,040)	10,598	(11,638)	-109.81%	-0.01%	0.11%
Service charges, fees and commissions	1,074,764	886,379	188,384	21.25%	9.99%	8.89%
Foreign exchange gains - net	127,618	141,121	(13,503)	-9.57%	1.19%	1.41%
Gains on foreclosure, and sale of property and equipment and foreclosed assets - net	341,527	495,400	(153,873)	-31.06%	3.18%	4.97%
Miscellaneous	102,575	145,276	(42,701)	-29.39%	0.95%	1.46%
	1,645,444	**1,678,776**	**(33,332)**	**-1.99%**	**15.30%**	**16.83%**
GROSS INCOME	**10,756,374**	**9,975,263**	**781,111**	**7.83%**	**100.00%**	**100.00%**
OTHER EXPENSES						
Compensation and fringe benefits	2,636,796	2,258,396	378,400	16.76%	24.51%	22.64%
Taxes and licenses	1,094,553	1,063,032	31,521	2.97%	10.18%	10.66%
Rent and utilities	622,696	647,698	(25,002)	-3.86%	5.79%	6.49%
Depreciation and amortization	623,167	489,379	133,788	27.34%	5.79%	4.91%
Insurance	383,986	345,083	38,903	11.27%	3.57%	3.46%
Service Fees and Commissions	495,120	417,924	77,196	18.47%	4.60%	4.19%
Subscription fees	106,359	188,453	(82,094)	-43.56%	0.99%	1.89%
Entertainment and recreation	19,368	12,142	7,226	59.51%	0.18%	0.12%
Management and professional fees	97,914	140,884	(42,970)	-30.50%	0.91%	1.41%
Amortization of software costs	95,598	76,741	18,857	24.57%	0.89%	0.77%
Provision for credit and impairment losses	139,412	78,845	60,568	76.82%	1.30%	0.79%
Miscellaneous	498,086	519,793	(21,707)	-4.18%	4.63%	5.21%
	6,813,056	**6,238,370**	**574,686**	**9.21%**	**63.34%**	**62.54%**
INCOME BEFORE SHARE IN NET LOSS OF ASSOCIATE AND INCOME TAX	**3,943,318**	**3,736,893**	**206,425**	**5.52%**	**36.66%**	**37.46%**
SHARE IN NET LOSS OF ASSOCIATE	611	783	(172)	-21.95%	0.01%	0.01%
INCOME BEFORE INCOME TAX	**3,942,707**	**3,736,110**	**206,597**	**5.53%**	**36.65%**	**37.45%**
INCOME TAX EXPENSE	917,768	933,891	(16,123)	-1.73%	8.53%	9.36%
NET INCOME	**3,024,939**	**2,802,219**	**222,720**	**7.95%**	**28.12%**	**28.09%**

11.5.3.1 Statement of Income for the Year Ended December 31, 2024 vs December 31, 2023

For the year ending December 31, 2024, Bank of Commerce posted a net income of ₱3.02 billion, reflecting a 7.95% increase from the ₱2.80 billion in the same period in 2023. The expansion outpaced the previous year's, highlighting steady growth in the bank's core business, primarily the widened range of corporate loans, program lending mainly to SMC ecosystem clients, as well as higher earning assets. This achievement shows BankCom's strong commitment to performance, excellence, and continuously improving customer service. It reflects the dedication of its Board and management to becoming the top conglomerate bank in the country. Additionally, effective cost management and disciplined risk control contributed to the positive financial performance.

Interest income on loans and receivables, representing 87.66% of the total revenue, grew by 14.36% to ₱9.43 billion, boosted by the extended high interest rate regime and increase in loan volume, mainly corporate loans. Interest income on investment securities at fair value through other comprehensive income (FVOCI) and at amortized cost grew by 19.54% to ₱2.69 billion from ₱2.25 billion in the previous year. Interest income on Financial Assets at fair value through profit or loss (FVTPL) posted ₱126.91 million, more than 5x than last year's ₱21.56 million, in light of the significant gains coming from the Bank's various investments and treasury notes. This reflects the proper execution of Bank's strategy to capture market opportunities. Interest income from Bangko Sentral ng Pilipinas and other banks also increased by 1.75% to ₱379.44 million from ₱372.91 million last year due to higher yields. However, interest on interbank loans receivable and SPURA declined by 38.10% to ₱542.05 million from ₱875.71 million in the previous year.

Total interest expense increased to ₱4.05 billion, up 16.93% from ₱3.47 billion last year due to the increase in deposit volume and an extended high-interest rate environment. This increase composed of the following: 16.64% increase in interest expense on deposit liabilities to ₱3.47 billion due to higher cost of funds; 19.35% increase in interest expense on lease liabilities amounting to ₱39.17 million from ₱32.82 million; and an increase in the interest expense on bonds payable by 29.04% to ₱532.93 million from ₱412.99 million. However, Interest expense on bills payable was down by 69.18% to ₱15.13 million from ₱49.10 million.

As the Bank's interest income outpaced the growth of interest expense, it posted a net interest income of ₱9.11 billion, 9.82% higher than ₱8.30 billion in the previous year, translating to a net interest margin (NIM) of 4.17%. Total other income amounted to ₱1.65 billion, slightly declined by 1.99% than the previous year's ₱1.68 billion, attributable to the fluctuations in trading and investment securities gains but was partially offset by the increase in service charges, fees and commissions. Trading and securities gain amounted to (₱1.04) million, a reversal of last year's ₱10.60 million gains. Foreign exchange gains posted ₱127.62 million, 9.57% down from the ₱141.12 million last year. The downtrend in trading and securities and foreign exchange gains resulted from volatile market conditions.

On the other hand, service charges, fees and commissions rose by 21.25% to ₱1.07 billion from ₱886.38 million. This notable increase was propelled by the influx of underwriting fees amounting to ₱292.68 million, almost 2x the fees generated last year. Furthermore, the Bank also saw an increase in trust, cards, and trade finance fees. Gains on foreclosure, and sale of property and equipment and foreclosed assets registered a decline of 31.06% to ₱341.53 million due to lower foreclosure related revenues. Moreover, miscellaneous income also dropped by 29.39% to ₱102.58 million from ₱145.28 million in comparable period last year due to the decrease in recoveries on charged-off assets and lower dividend income.

Total expenses, including provisions for credit and impairment losses, was up by 9.21% to ₱6.81 billion. The growth in operating expenses was mainly due to the Bank's continued investment in human capital, information technology infrastructure and higher volume of transactions. Compensation and fringe benefits increased by 16.76% to ₱2.64 billion, driven by strategic hirings and an improved retention program which led to an increase in compensation cost while at the same time reducing attrition levels. Taxes and licenses moderately increased by 2.97% to ₱1.09 billion driven by larger business volume. Rent and utilities decreased by 3.86% to ₱622.70 million from ₱647.70 million on account of the bank's cost saving initiatives on power, light, and water, as well as repairs and maintenance. Depreciation and amortization grew by 27.34% to ₱623.17 million, primarily due to higher depreciation expenses from computer equipment and foreclosed properties held by the bank. Amortization of software costs also rose by 24.57% to ₱95.60 million, reflecting the bank's ongoing investment in technology. Insurance went up by 11.27% to ₱383.99 million, attributed to higher PDIC insurance on deposits. Expenditure on service fees and commissions also rose by 18.47% to ₱495.12 million from ₱417.92 million. Subscription fees substantially went down by 43.56% to ₱106.36 million from ₱188.45 million on account of divesting various IT related subscription services. Management and professional fees dropped by 30.50% to ₱97.91 million. Miscellaneous expense slightly dropped by 4.18% to ₱498.09 million from ₱519.79 million. On the other hand, entertainment and recreation increased to ₱19.37 million, 59.51% higher than last year's ₱12.14 million.

The Bank maintained a prudent approach in strengthening its balance sheet by setting aside ₱139.41 million as additional provision for credit and impairment losses, in-line with its existing risk appetite. This allocation represents a 76.82% increase from the previous year. The Bank's share in the net loss of associate was recorded at ₱0.61 million for the period, compared to ₱0.78 million in 2023. Income Tax expense amounted to ₱917.77 million, down by 1.73% from the ₱933.89 million in the same period in 2023.

11.5.3.2 Statement of Comprehensive Income for the Year Ended December 31, 2024 vs December 31, 2023

The Bank posted a total comprehensive income of ₱3.03 billion for 2024, 7.55% higher than ₱2.82 billion posted in the same period a year ago. This was primarily driven by the higher net income in 2024 which is partially offset

by the net change in net unrealized losses of debt securities at FVOCI at ₱57.70 million. Remeasurement losses on defined benefit plan increased to ₱34.05 million based on actuarial adjustments.

Amounts in Thousands	As of Dec 31, 2024	As of Dec 31, 2023	Dec 24 vs Dec 23 (Change)	Dec 24 vs Dec 23 (% Change)	% to Total Assets Dec 2024	% to Total Assets Dec 2023
Assets						
Cash & Other Cash Items	4,244,124	3,500,645	743,478	21.24%	1.60%	1.51%
Due from the BSP - net	47,913,457	24,271,918	23,641,538	97.40%	18.05%	10.48%
Due from Other Banks - net	3,819,385	1,055,355	2,764,031	261.91%	1.44%	0.46%
Interbank Loans Receivables - net	3,587,365	20,111,781	(16,524,416)	-82.16%	1.35%	8.68%
Financial Assets at at Fair Value through Profit or Loss	2,875,634	398,792	2,476,841	621.09%	1.08%	0.17%
Financial Assets at at Fair Value through Other Comprehensive Income	19,078,634	11,043,805	8,034,829	72.75%	7.19%	4.77%
Investment Securities at Amortized Cost - net	36,611,668	52,471,103	(15,859,435)	-30.23%	13.79%	22.65%
Loans and Receivables - net	136,505,340	109,566,176	26,939,164	24.59%	51.43%	47.29%
Non-current Assets Held for Sale	-	-	-	0.00%	0.00%	0.00%
Investment in Associate - net	34,433	35,534	(1,101)	-3.10%	0.01%	0.02%
Property and Equipment - net	2,000,100	1,791,196	208,904	11.66%	0.75%	0.77%
Investment Properties - net	3,992,770	3,676,126	316,644	8.61%	1.50%	1.59%
Deferred Tax Assets - net	447,021	475,333	(28,312)	-5.96%	0.17%	0.21%
Other Assets - net	4,330,137	3,270,214	1,059,923	32.41%	1.63%	1.41%
Total Assets	**265,440,067**	**231,667,979**	**33,772,088**	**14.58%**	**100.00%**	**100.00%**
Liabilities and Capital						
Deposit Liabilities	**212,007,958**	**185,905,369**	**26,102,589**	**14.04%**	**79.87%**	**80.25%**
Demand	63,961,972	54,569,494	9,392,477	17.21%	24.10%	23.56%
Savings	125,100,493	109,667,913	15,432,580	14.07%	47.13%	47.34%
Time	17,916,073	16,638,541	1,277,532	7.68%	6.75%	7.18%
Long-term Negotiable Certificate	5,029,420	5,029,420	-	0.00%	1.89%	2.17%
Financial Liabilities at FVPL	45,214	6,202	39,012	629.07%	0.02%	0.00%
Bills Payable	-	-	-	0.00%	0.00%	0.00%
Bonds Payable	6,534,448	7,478,265	(943,817)	-12.62%	2.46%	3.23%
Manager's Checks	1,414,092	1,846,500	(432,408)	-23.42%	0.53%	0.80%
Accrued Interest, Taxes and Other Expenses	1,098,193	1,387,189	(288,996)	-20.83%	0.41%	0.60%
Other Liabilities	11,110,095	4,193,181	6,916,914	164.96%	4.19%	1.81%
Total Liabilities	**232,210,000**	**200,816,706**	**31,393,294**	**15.63%**	**87.48%**	**86.68%**
Capital Funds	**33,230,067**	**30,851,273**	**2,378,794**	**7.71%**	**12.52%**	**13.32%**
Total Liabilities & Capital	**265,440,067**	**231,667,979**	**33,772,088**	**14.58%**	**100.00%**	**100.00%**

11.5.3.3 Statement of Condition as of 31 December 2024 vs. 31 December 2023

The Bank's total assets totaled at ₱265.44 billion as of 31 December 2024, up by 14.58% from the ₱231.67 billion as of 31 December 2023 mainly driven by the growth in all lending segments and financial assets at fair value. This translated to a return on assets (ROA) of 1.22%. Asset movements are as follows: Cash and other cash items increased by 21.24% amounting to ₱4.24 billion. Due from BSP surged by 97.40% to ₱47.91 billion from ₱24.27 billion last year due to an increase in overnight deposit facility (ODF) placements. Due from other banks also significantly grew more than 3x to ₱3.82 billion from ₱1.06 billion due to significant placements with foreign banks. Interbank loans receivables, however declined by ₱16.52 billion to ₱3.59 billion from the ₱20.11 billion to support loan growth. Financial assets at fair value through profit or loss (FVPL) and financial assets at fair value through other comprehensive income (FVOCI), significantly increased to ₱2.88 billion and ₱19.08 billion, respectively, from ₱398.79 million and ₱11.04 billion, attributable to additional purchases. However, investment securities at amortized cost declined to ₱36.61 billion or 30.23% from ₱52.47 billion due to redeployment of matured government securities to loans. Loans and other receivables, comprising more than 51% of the total assets, posted ₱136.51 billion, 24.59% higher than the ₱109.57 billion last year driven by the expansive growth in the lending business. The robust loan growth resulted in a loan-to-deposit ratio of 64%. Property & Equipment expanded to ₱2 billion, up 11.66% from ₱1.79 billion due to additional purchase of office equipment, computer, and furniture and fixtures. Investment properties also went up by 8.61% to ₱3.99 billion from ₱3.68 billion due to the increase in real and other properties acquired (ROPA) and accumulated gains. Meanwhile, Investment in Associate decreased by 3.10% to ₱34.43 million. Deferred tax assets, dropped by 5.96% to ₱447.02 million from ₱475.33 million. On the other hand, other assets substantially increased by 32.41% to ₱4.33 billion from ₱3.27 billion due to an increase in booking of prepaid expenses and miscellaneous assets.

Total liabilities increased to ₱232.21 billion as of 31 December 2024, 15.63% up from the ₱200.82 billion as of 31 December 2023 primarily due to rebound in deposit. Deposit liabilities, accounting for more than 90% of the Bank's total liabilities, increased by 14.04% or ₱26.10 billion, to ₱212.01 billion from ₱185.91 billion as of 31

December 2023. This is a milestone for breaching the ₱200 billion mark. The increase can be attributed to the success of the bank's promotional strategies and the launch of various targeted marketing initiatives. In 2025 the Bank plans to continue this with its "Accelerate Your Savings" promo Part 2. Broken down, total deposits comprised ₱189.06 billion current account and savings account (CASA), 15.12% higher than last year's ₱164.24 billion; ₱17.92 billion time deposits, 7.68% up from ₱16.64 billion in 2023; and ₱5.03 billion long-term negotiable certificates of deposit. Financial liabilities at FVPL surged by more than 7x to ₱45.21 million owing to foreign exchange derivatives revaluations. Bonds payable was down by 12.62% to ₱6.53 billion due to the maturity of the ₱7.50 billion 2-year bonds last July 29, 2024. However, this was partially offset by the ₱6.57 billion bond offering last May 9, 2024. Manager's checks decreased by 23.42% to ₱1.41 billion due to decrease in stale checks. Accrued interest, taxes & other expenses also declined by 20.83% to ₱1.10 billion. Meanwhile, other liabilities significantly increased by 164.96% to ₱11.11 billion from ₱4.19 billion due to the increase in lease liability and accounts payable for the period.

The Bank's total capital funds remained strong at ₱33.23 billion as of 31 December 2024, 7.71% more than the ₱30.85 billion a year ago, despite the payment of dividends on July 15, 2024. The Bank paid ₱0.2512 per common share amounting to ₱352.44 million. The increase in capital was driven by the remarkable performance of the bank and ploughed back earnings. The bank's capital adequacy ratio (CAR) remained strong at 17.58%, well above the minimum regulatory requirement of 10.0%.

11.5.4 For the year ended 31 December 2023 compared with year ended 31 December 2022

11.5.4.1 Analysis of Statements of Income

Amounts in Thousands	Year to Date		Horizontal analysis		Vertical analysis	
	Dec 31, 2023	Dec 31, 2022	Increase / (Decrease)			
INTEREST INCOME						
Loans and receivables	8,244,673	5,465,229	2,779,444	50.86%	82.65%	67.33%
Investment securities at FVOCI and at amortized cost	2,247,720	1,681,785	565,936	33.65%	22.53%	20.72%
Due from Bangko Sentral ng Pilipinas and other banks	372,910	274,855	98,055	35.67%	3.74%	3.39%
Interbank loans receivable and SPURA	875,706	539,159	336,547	62.42%	8.78%	6.64%
Financial assets at FVPL	21,561	4,603	16,958	368.37%	0.22%	0.06%
	11,762,570	**7,965,631**	**3,796,939**	**47.67%**	**117.92%**	**98.14%**
INTEREST EXPENSE						
Deposit liabilities	2,971,181	1,034,350	1,936,831	187.25%	29.79%	12.74%
Lease liabilities	32,817	28,178	4,639	16.46%	0.33%	0.35%
Bonds payable	412,986	173,784	239,203	137.64%	4.14%	2.14%
Bills payable and others	49,098	47,042	2,057	4.37%	0.49%	0.58%
	3,466,083	**1,283,353**	**2,182,730**	**170.08%**	**34.75%**	**15.81%**
NET INTEREST INCOME	**8,296,487**	**6,682,278**	**1,614,209**	**24.16%**	**83.17%**	**82.33%**
OTHER INCOME						
Trading and investment securities gains/(losses) - net	10,598	(29,217)	39,815	-136.28%	0.11%	-0.36%
Service charges, fees and commissions	886,379	857,632	28,748	3.35%	8.89%	10.57%
Foreign exchange gains - net	141,121	150,320	(9,198)	-6.12%	1.41%	1.85%
Gains on foreclosure, and sale of property and equipment and foreclosed assets - net	495,400	340,449	154,951	45.51%	4.97%	4.19%
Miscellaneous	145,276	115,179	30,097	26.13%	1.46%	1.42%
	1,678,776	**1,434,364**	**244,412**	**17.04%**	**16.83%**	**17.67%**
GROSS INCOME	**9,975,263**	**8,116,641**	**1,858,621**	**22.90%**	**100.00%**	**100.00%**
OTHER EXPENSES						
Compensation and fringe benefits	2,258,396	1,904,812	353,585	18.56%	22.64%	23.47%
Taxes and licenses	1,063,032	947,182	115,849	12.23%	10.66%	11.67%
Rent and utilities	647,698	631,550	16,148	2.56%	6.49%	7.78%
Depreciation and amortization	489,379	431,663	57,716	13.37%	4.91%	5.32%
Insurance	345,083	348,355	(3,271)	-0.94%	3.46%	4.29%
Service Fees and Commissions	417,924	293,330	124,594	42.48%	4.19%	3.61%
Subscription fees	188,453	122,535	65,918	53.80%	1.89%	1.51%
Entertainment and recreation	12,142	76,227	(64,085)	-84.07%	0.12%	0.94%
Management and professional fees	140,884	108,573	32,311	29.76%	1.41%	1.34%
Amortization of software costs	76,741	73,068	3,673	5.03%	0.77%	0.90%
Provision for credit and impairment losses	78,845	166,210	(87,366)	-52.56%	0.79%	2.05%
Miscellaneous	519,793	546,580	(26,787)	-4.90%	5.21%	6.73%
	6,238,370	**5,650,084**	**588,285**	**10.41%**	**62.54%**	**69.61%**
INCOME BEFORE SHARE IN NET LOSS OF ASSOCIATE AND INCOME TAX	**3,736,893**	**2,466,557**	**1,270,336**	**51.50%**	**37.46%**	**30.39%**
SHARE IN NET LOSS OF ASSOCIATE	783	133	649	487.59%	0.01%	0.00%
INCOME BEFORE INCOME TAX	**3,736,110**	**2,466,424**	**1,269,687**	**51.48%**	**37.45%**	**30.39%**
INCOME TAX EXPENSE	933,891	666,355	267,536	40.15%	9.36%	8.21%
NET INCOME	**2,802,219**	**1,800,069**	**1,002,151**	**55.67%**	**28.09%**	**22.18%**

For the year ending December 31, 2023, Bank of Commerce posted a Net Income of ₱2.80 billion, 55.67% higher than the ₱1.80 billion in the same period in 2022. The growth was backed by growth in core lending business, service charges, fees, and commissions, and gains on foreclosure and sale of property and equipment and foreclosed assets. Net Interest Income increased by 24.16% to ₱8.30 billion, from ₱6.68 billion in the previous year. Interest income on loans and receivables amounted to ₱8.24 billion, ₱2.78 billion higher than the ₱5.47 billion the prior year. Interest Income on Loans benefitted from the high interest rate environment and volume growth. Interest income on investment securities and financial assets grew by 34.56% to ₱2.27 billion owing increase in securities. Interest income on interbank loans receivable and securities purchased under resale agreements rose to ₱875.71 million, almost 2x the ₱539.16 million. Interest income on due from BSP and other banks also grew by 35.67% to ₱372.91 million from the ₱274.86 million.

Interest Expense totaled ₱3.47 billion, 2.7x the ₱1.28 billion in the same period last year on account of higher cost of funds as interest expense on deposit liabilities increased by ₱1.94 billion to ₱2.97 billion. Interest on bonds payable increased more than 2x to ₱412.99 million due to the maiden issuance of ₱7.5 billion 2-year bonds. Meanwhile interest expense on bills payable and lease liabilities also grew by 4.37% and 16.46%, respectively, to ₱49.10 million and ₱32.82 million from obtaining deposit substitutes.

Net Interest Income rose by 24.16% to ₱8.30 billion, up from end-2022's ₱6.68 billion as Interest Income outpaced the growth in Interest Expenses. This translated to a net interest margin ratio of 4.28%, higher than the previous year's 3.73%.

Total other income rose to ₱1.68 billion, 17.04% or ₱244.41 million greater than ₱1.43 billion last year. Service charges, fees and commissions grew by ₱28.75 million to ₱886.38 million, owing to the investment banking, credit card and trust. Trading and investment securities gains posted ₱10.60 million, recovering ₱39.82 million from the loss sustained last year. Foreign exchange gains slowed down by 6.12% to ₱141.12 million, from the prior year's ₱150.32 million. Gains on foreclosure, and sale of property and equipment and foreclosed assets increased to ₱495.40 million, 45.51% up from ₱340.45 million on the back of 4.3x rise in foreclosure related revenues. Miscellaneous income picked up by 26.13% to ₱145.28 million due to higher recovery on charged-off assets.

Total Expenses, excluding provision for credit and impairment losses, was up by 12.32% to ₱6.16 billion. Compensation and fringe benefits increased to ₱2.26 billion, 18.56% higher than ₱1.90 billion mainly due to the 111 (from 1,865 in 2022) additional manpower. Taxes and licenses increased by 12.23% to ₱1.06 billion mainly due to growth in revenues. Rent and utilities increased by ₱16.15 million to ₱647.70 million owing to the rise in security, repairs and maintenance, power, light and water expenses. Depreciation and amortization grew by 13.37% to ₱489.38 million due to higher depreciation expense on foreclosed assets and computer equipment. Service fees and commissions increased by 42.48% to ₱417.92 million due to higher commissions and other transaction fees. Subscriptions also grew 1.5x to ₱188.45 million driven by higher IT related subscriptions. Management and professional fees went up by 29.76% to ₱140.88, while Amortization of Software costs increased modestly by 5.03% to ₱76.74 million.

On the other hand, Insurance registered a 0.94% drop to ₱345.08 million on the back of lower PDIC insurance on peso deposits. Entertainment and recreation expenses likewise declined by 84.07% to ₱12.14 million. Miscellaneous expenses declined by 4.90% to ₱519.79 million from ₱546.58 million on account of lower legal expenses.

Provisions for credit and impairment losses amounted to ₱78.85 million, substantially lower than last year's ₱166.21 million, reflecting strength in asset quality due to the Bank's focused risk appetite. The Bank's share in the net loss of associate is at ₱0.78 million in 2023, almost 6x the ₱0.13 million last year. Income Tax Expense posted ₱933.89 million, 40.15% up from the ₱666.36 million in 2022.

11.5.4.2 Analysis of Statements of Condition

Bank of Commerce (Consolidated)
Balance Sheet
Amounts in Thousands

Amounts in Thousands	As of Dec 31, 2023	As of Dec 31, 2022	2023 vs 2022		% to Total Assets 2023	% to Total Assets 2022
			Change	%Change		
Resources						
Cash and Other Cash Items	3,500,645	2,735,171	765,475	27.99%	1.51%	1.26%
Due from Bangko Sentral ng Pilipinas -net	24,271,918	23,675,470	596,449	2.52%	10.48%	10.88%
Due from Other Banks - net	1,055,355	1,044,255	11,099	1.06%	0.46%	0.48%
Interbank Loans Receivables - net	20,111,781	18,378,744	1,733,036	9.43%	8.68%	8.45%
Investment Securities	11,442,597	6,186,052	5,256,545	84.97%	4.94%	2.84%
Financial Assets At Fair Value	11,442,597	6,186,052	5,256,545	84.97%	4.94%	2.84%
At Fair Value through Profit/Loss	398,792	381,001	17,791	4.67%	0.17%	0.18%
At FVOCI	11,043,805	5,805,051	5,238,754	90.24%	4.77%	2.67%
Available for Sale Invesments	-	-	-	0.00%	0.00%	0.00%
Investment Securities at Amortized Cost - n	52,471,103	52,208,769	262,334	0.50%	22.65%	24.00%
Loans and Receivables - net	109,566,176	105,091,229	4,474,948	4.26%	47.29%	48.31%
Non-current Assets Held for Sale	-	-	-	0.00%	0.00%	0.00%
Investment in Associate - net	35,534	39,523	(3,989)	-10.09%	0.02%	0.02%
Property and Equipment - net	1,791,196	1,425,419	365,777	25.66%	0.77%	0.66%
Investment Properties - net	3,676,126	3,399,987	276,140	8.12%	1.59%	1.56%
Deferred Tax Assets - net	475,333	612,090	(136,757)	-22.34%	0.21%	0.28%
Other Assets - net	3,270,214	2,721,191	549,023	20.18%	1.41%	1.25%
Total Assets	**231,667,979**	**217,517,899**	**14,150,080**	**6.51%**	**100.00%**	**100.00%**
Liabilities and Capital						
Deposit Liabilities	**185,905,369**	**176,267,240**	**9,638,129**	**5.47%**	**80.25%**	**81.04%**
Demand	54,569,494	51,792,970	2,776,525	5.36%	23.56%	23.81%
Savings	109,667,913	101,651,553	8,016,360	7.89%	47.34%	46.73%
Time	16,638,541	17,793,298	(1,154,756)	-6.49%	7.18%	8.18%
Long-term Negotiable Certificate	5,029,420	5,029,420	-	0.00%	2.17%	2.31%
Bills Payable	-	-	-	0.00%	0.00%	0.00%
Bonds Payable	7,478,265	7,442,251	36,014	0.48%	3.23%	3.42%
Financial Liabilities at FVPL	6,202	283	5,918	2088.85%	0.00%	0.00%
Manager's Checks	1,846,500	661,454	1,185,046	179.16%	0.80%	0.30%
Accrued Interest, Taxes and Other Expens	1,387,189	1,165,766	221,424	18.99%	0.60%	0.54%
Other Liabilities	4,193,181	3,950,329	242,852	6.15%	1.81%	1.82%
Total Liabilities	**200,816,706**	**189,487,324**	**11,329,383**	**5.98%**	**86.68%**	**87.11%**
Capital Funds	**30,851,273**	**28,030,575**	**2,820,698**	**10.06%**	**13.32%**	**12.89%**
Total Liabilities & Capital	**231,667,979**	**217,517,899**	**14,150,080**	**6.51%**	**100.00%**	**100.00%**

The Bank's Total Assets at end-2023 grew by 6.51% or ₱14.15 billion to ₱231.67 billion, primarily driven by the expansion in loans and other receivables, investment securities as well as interbank loans receivables. Loans and Receivables-net, accounting for almost 50% of total assets, rose by ₱4.47 billion to ₱109.57 billion mainly driven by the increase in corporate loans. The Bank's loan-to-deposit ratio was recorded at 69.67%.

Investment Securities also grew by 9.45% to ₱63.91 billion, from ₱58.39 billion on the back of growths in financial assets at fair value through other comprehensive income and investment securities at amortized cost. Interbank Loans Receivable amounted to ₱20.11 billion, 9.43% higher than ₱18.38 billion at end-2022. Cash and Other Cash Items increased by 27.99% to ₱3.50 billion. Due from Bangko Sentral ng Pilipinas (BSP) and Other Banks reached ₱25.33 billion, up by 2.46% from last year's ₱24.72 billion.

Property and Equipment grew by ₱365.78 million and ₱276.14 million, respectively, to ₱1.79 billion and ₱3.68 billion. The increases were due to new ATMs and additional office equipment, such as, but not limited to, computers. Moreover, Other Assets posted ₱3.27 billion, 20.18% more than the ₱2.72 billion last year, on account on higher prepaid tax.

On the other hand, Investment in Associate and Deferred Tax Assets registered 10.09% and 22.34% declines to ₱35.53 million and ₱475.33 million, respectively.

Deposit Liabilities, comprising 80.25% of the total assets, increased by 5.47% to ₱185.91 billion supported by the 7.03%. Expansion in deposits came from demand and savings accounts but was softened by the 6.49% decrease

in time deposits. Bonds remained at ₱7.48 billion. Accrued Interest, Taxes and Other Expenses and Manager's Checks both increased by ₱221.42 million and ₱1.19 billion, respectively, to ₱1.39 billion and ₱1.85 billion. Other Liabilities, meanwhile, rose by ₱242.85 million to ₱4.19 billion at end-2023.

The Bank's capital base was at ₱30.85 billion as of December 31, 2023, 10.06% higher than the ₱28.03 billion in the previous year, boosted by the better-than-expected net income as of end-2023.

11.6 LIQUIDITY

The following table sets forth selected information from the Bank's Statement of Cash Flows in (₱ millions) for the periods indicated.

	For the year ended 31 December			30 June
	2023	2024	2025	2026
Net cash from (used in) operating activities	9,255,640	5,506,451	(17,033,591)	13,197,390
Net cash from (used in) investing activities	(5,526,654)	7,362,750	(19,903,029)	(5,836,728)
Net cash from (used in) financing activities	(614,987)	(2,388,312)	8,861,413	(701,502)
Net cash	3,106,375	10,487,414	(28,073,382)	6,665,217
Cash and cash equivalents at beginning of the period	45,839,459	48,945,834	59,433,248	31,359,866
Cash and cash equivalents at end of the period	48,945,834	59,433,248	31,359,866	38,025,083

11.6.1 Cash flows from operating activities

As of 30 June 2026, the bank generated net cash inflow from operating activities amounting to ₱13.20 billion. The main source of cash came from income from continuing operations of ₱13.85 billion which is subjected to adjustments from noncash income/loss such as depreciation and amortization (₱357.96 million), interest expense on bonds payable (₱593.74 million), gain on foreclosure and sale of property and equipment and foreclosed assets (₱340.69 million), provision for credit and impairment losses (₱7.98 million), unrealized losses on financial assets at fair value through profit or loss (₱121.15 million), amortization of software costs (₱85.82 million), interest expense on lease liabilities (₱20.29 million), and share in net loss of associate (₱0.33 million), and the net inflow is primarily driven by the ₱9.16 billion and ₱1.28 billion decrease in loans and receivables and financial assets at fair value through profit or loss, respectively.

As of 31 December 2025, the bank generated net cash outflow from operating activities amounting to ₱17.03 billion. The main source of cash absorbed by continuing operations of ₱15.80 billion which is subjected to adjustments from noncash income/loss such as gain on foreclosure and sale of property and equipment and foreclosed assets (₱402.39 million), depreciation and amortization (₱672.58 million), interest expense on bonds payable (₱1.44 billion), provision for credit and impairment losses (₱382.20 million), amortization of software costs (₱144.82 million), interest expense on lease liabilities (₱42.71 million), unrealized gains on financial assets at fair value through profit or loss (₱65.02 million), gain on sale of financial assets at fair value through other comprehensive income (₱16.46 million), share in net loss of associate (₱0.84 million), miscellaneous income

(₱0.10 million), and the net inflow is primarily driven by the ₱11.31 billion. The main uses of cash are mainly driven by loans and receivables of ₱27.13 billion, other liabilities of ₱5.20 billion and financial assets at fair value through profit or loss of ₱2.27 billion.

As of 31 December 2024, the bank generated net cash inflow from operating activities amounting to ₱5.51 billion. The main source of cash came from income from continuing operations of ₱6.36 billion which is subjected to adjustments from noncash income/loss such as gain on foreclosure and sale of property and equipment and foreclosed assets (₱341.53 million), depreciation and amortization (₱623.17 million), interest expense on bonds payable (₱532.93 million), provision for credit and impairment losses (₱139.41 million), amortization of software costs (₱95.60 million), interest expense on lease liabilities (₱39.17 million), unrealized losses on financial assets at fair value through profit or loss (₱1.02 million), gain on sale of financial assets at fair value through other comprehensive income (₱1.62 million), share in net loss of associate (₱0.61 million), miscellaneous income (₱0.13 million), and the net inflow is primarily driven by the ₱26.10 billion and ₱6.95 billion increase in deposit liabilities and other liabilities, respectively. The main uses of cash are mainly driven by loans and receivables of ₱27.43 billion and financial assets at fair value through profit or loss of ₱2.44 billion.

As of 31 December 2023, the bank generated net cash inflow from operating activities amounting to ₱9.26 billion. The main source of cash came from income from continuing operations of ₱10.05 billion which is subjected to adjustments from noncash income/loss such as gain on foreclosure and sale of property and equipment and foreclosed assets (₱495.40 million), depreciation and amortization (₱489.38 million), interest expense on bonds payable (₱412.99 million), provision for credit and impairment losses (₱78.84 million), amortization of software costs (₱76.74 million), interest expense on lease liabilities (₱32.82 million), unrealized gains on financial assets at fair value through profit or loss (₱22.81 million), gain on sale of financial assets at fair value through other comprehensive income (₱6.96 million), share in net loss of associate (₱0.78 million), and the net inflow is primarily driven by the ₱9.64 billion and ₱1.19 billion increase in deposit liabilities and manager's checks, respectively. The main uses of cash are mainly driven by loans and receivables of ₱4.76 billion.

11.6.2 Cash flows from investing activities

As of 30 June 2026, net cash used in investing activities was recorded at ₱5.84 billion. Total inflows were from the proceeds from sale or maturities of investment securities at amortized cost (₱220.60 billion), financial assets at fair value through other comprehensive income (₱6.86 billion), investment properties (₱481.94 million), and property and equipment (₱24.47 million). These were offset with additions to: investment securities at amortized cost (₱228.44 billion), financial assets at fair value through other comprehensive income (₱5.06 billion), property and equipment (₱204.58 million), software costs (₱96.12 million), and investment properties (₱7.04 million).

As of 31 December 2025, net cash used in investing activities was recorded at ₱19.90 billion. Total inflows were from the proceeds from sale or maturities of investment securities at amortized cost (₱327.29 billion), financial assets at fair value through other comprehensive income (₱3.58 billion), investment properties (₱513.52 million), and property and equipment (₱50.82 million). These were offset with additions to: investment securities at amortized cost (₱332.05 billion), financial assets at fair value through other comprehensive income (₱18.72billion), property and equipment (₱296.49 million), software costs (₱230.36 million), and investment properties (₱42.59 million).

As of 31 December 2024, net cash provided by investing activities was recorded at ₱7.36 billion. Total inflows were from the proceeds from sale or maturities of investment securities at amortized cost (₱114.96 billion), financial assets at fair value through other comprehensive income (₱306.44 million), investment properties (₱210.30 million), and property and equipment (₱43.87 million). These were offset with additions to: investment securities at amortized cost (₱99.10 billion), financial assets at fair value through other comprehensive income (₱8.37 billion), property and equipment (₱446.28 million), software costs (₱228.11 million), and investment properties (₱14.08 million).

As of 31 December 2023, net cash used in investing activities was recorded at ₱5.53 billion. Total inflows were from the proceeds from sale or maturities of investment securities at amortized cost (₱84.50 billion), financial assets at fair value through other comprehensive income (₱5.96 billion), investment properties (P238.44 million), and property and equipment (₱49.28 million). These were offset with additions to: investment securities at amortized cost (₱84.76 billion), financial assets at fair value through other comprehensive income (₱10.88 billion), property and equipment (₱466.28 million), software costs (₱149.91 million), and investment properties (₱21.03 million).

11.6.3 Cash flows from financing activities

As of 30 June 2026, net cash used in financing activities was recorded at ₱701.50 million. This is primarily due to payment of interest on bonds (₱563.69 million), and payment of lease liability (₱137.81 million).

As of 31 December 2025, net cash used in financing activities was recorded at ₱8.86 billion. This is primarily due to issuance of bonds payable (₱17.83 billion), settlement of bonds payable (₱6.57 billion), payment of interest on bonds (₱1.28 billion), cash dividends paid (₱851.36 million), and payment of lease liability (₱267.51 million).

As of 31 December 2024, net cash provided by financing activities was recorded at ₱2.39 billion. This is primarily due to settlement of bonds payable (₱7.50 billion), issuance of bonds payable (₱6.51 billion), cash dividends paid (₱654.94 million), payment of interest on bonds (₱495.84 million), and payment of lease liability (₱248.10 million).

As of 31 December 2023, net cash used in financing activities was recorded at ₱614.99 million. This is primarily due to payment of interest on bonds (₱376.97 million), and payment of lease liability (₱238.01 million).

11.7 MATERIAL COMMITMENTS FOR CAPITAL EXPENDITURES

The Bank's commitments for capital expenditures will be funded from the proceeds of the sale of acquired assets and cash flows from the Bank's operations. This generally covers investments relating to the Bank's digital transformation initiatives, enhancement of customer banking experience, technology upgrades and branch physical infrastructure.

The Bank's capital expenditures for the years ended 31 December, 2023, 2024, and 2025, and for the period ended 30 June 2026 were ₱616.29 million, ₱674.39 million, ₱526.85 million and ₱300.69 million, respectively. The Bank's primary capital expenditures during those periods were mainly invested in IT-related expenses, repairs and maintenance, and refurbishment of branch network.

11.8 CONTINGENT FINANCIAL OBLIGATIONS AND OFF-BALANCE SHEET TRANSACTIONS

The Bank has outstanding commitments and contingent liabilities from the normal course of operations. The Bank does not anticipate losses that will materially affect its financial condition and results of operations as a result of these transactions.

The following is a summary of the Bank's commitments and contingencies at their peso equivalent contractual amounts arising from off-books accounts as at 30 June 2026:

	31 December			30 June
	2023	2024	2025	2026
	In ₱ millions			
Contingent assets:				
Future/spot exchange bought	2,683	3,413	1,258	7,175
Fixed income securities purchased	6,409	26	3	343
Outward bills for collection	6	-	-	11

TOTAL	**9,098**	**3,438**	**1,260**	**7,518**
Commitments and contingent liabilities:				
Trust department accounts	72,133	72,410	68,650	72,303
Unused commercial letters of credit	8,182	10,208	6,615	5,884
Committed credit line	16,152	15,658	17,379	16,104
Credit card lines	3,601	3,866	4,427	4,715
Outstanding guarantees	4,306	2,230	2,509	1,475
Future/spot exchange sold	3,181	3,962	1,837	7,866
Retirement obligations	0	155	167	167
Late deposits/payments received	67	59	<1	<1
Fixed income securities sold	6	26	3	343
Items held for safekeeping/securities held as collateral	<1	<1	<1	<1
Inward Bills For Collection-Domestic	4	1	197	1,353

TOTAL	**107,632**	**108,575**	**101,785**	**110,211**

Retirement obligations pertain to the estimated impact of the amendments to the Bank's retirement plan on past service cost, subject to certain conditions. The Bank has several loan-related suits, claims and regulatory examinations that remain unsettled or ongoing. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, in consultation with its legal counsels, the suits and claims, if decided adversely, will not involve sums having a material effect on the Bank's financial statements.

Other Commitments

The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

No asset is being pledged by the Bank to secure outstanding liabilities as of 30 June 2026.

11.9 CAPITAL ADEQUACY

The Philippines adopted capital adequacy requirements based on the Basel II Capital Accord through the issuance of BSP Circular 538, as amended by BSP Circular No. 781. BSP Circular No. 781 embodies the implementing guidelines of the revised Basel II standards and the reforms introduced by Basel III.

As of 30 June 2026, the Bank's total capital adequacy ratio as reported to BSP (the ratio of total qualifying capital to risk-weighted assets), on a solo basis, was 17.07%, and the Bank's consolidated CET1 capital adequacy ratio as reported to BSP was 13.60%. Both ratios were above the capital adequacy requirements of the BSP applicable to the Bank as of 30 June 2026.

The following table sets out details of capital resources and capital adequacy ratios of the Bank as of the dates indicated:

in ₱ millions except percentages	For the year ended 31 December			As of 30 June
	2023	2024	2025	2026
Common Equity Tier 1 (CET1)	**23,193**	**25,285**	**28,180**	**28,233**
Paid-up common stock	14,030	14,030	14,030	14,030
Additional paid-in capital	5,996	5,996	5,996	5,996
Retained earnings	1,332	3,269	4,977	7,780
Undivided profits	2,713	2,940	3,604	2,191
Other comprehensive income	-877	-949	-426	-1,764
Deduction from CET1	**1,197**	**1,048**	**1,116**	**1,089**
Deferred tax assets	570	449	458	422
Other intangible assets	370	502	587	598
Other equity investments in non-financial allied undertakings and non-allied undertakings	36	35	34	33
Reciprocal investments in common stock of other banks/quasi-banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)	31	33	37	37
Securitization tranches and structured products which are rated below investment grade or are unrated	191	30	0	0
Total CET1 Capital	**21,996**	**24,237**	**27,063**	**27,144**
Additional Tier 1 Capital	5,400	5,400	5,400	5,400
Instruments issued by the bank that are eligible as AT1 capital – Perpetual preferred shares	4,167	4,167	4,167	4,167
Additional paid-in capital-Preferred Shares	1,234	1,234	1,234	1,233
Total Tier 1 Capital	27,396	29,638	32,464	32,544
Tier 2 Capital				
Appraisal increment reserve – bank premises, as authorized by the Monetary Board	0	0	0	0

in ₱ millions except percentages	For the year ended 31 December			As of 30 June
	2023	**2024**	**2025**	**2026**
General loan loss provision, limited to a maximum of 1% of credit risk-weighted assets, and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio	1,138,638,666	1,347,049,910	1,575,666,155	1,523,568,103
Total Tier 2 Capital	**1,139**	**1,347**	**1,576**	**1,524**
Total Qualifying Capital	28,535	30,985	34,040	34,068
Capital Ratios				
CET1 capital ratio	15.32%	13.75%	13.10%	13.60%
Capital Conservation Buffer	9.32%	7.75%	7.10%	7.60%
Tier 1 capital ratio	19.09%	16.81%	15.72%	16.31%
Total capital adequacy ratio	19.88%	17.58%	16.48%	17.07%
Risk-weighted on-balance sheet assets	**115,086**	**145,625**	**171,726**	**165,246**
20%	257	274	1,222	3,488
50%	**4,609**	**6,753**	**5,737**	7,047
100%	105,823	133,912	158,279	148,412
150%	**4,397**	**4,685**	**6,488**	6,299
Risk-weighted off-balance sheet	**15,990**	**14,679**	**14,197**	**12,143**
100%	15,990	14,679	14,197	12,143
Counterparty risk-weighted assets in the trading book	**14**	**59**	**27**	47
Total credit risk-weighted assets	131,091	160,364	185,950	**177,436**
Market risk-weighted assets	**314**	**1,512**	**3,451**	2,136
Operational risk-weighted assets	12,140	14,407	17,177	
Total risk-weighted assets	**143,545**	**176,283**	**206,578**	**199,541**

11.10 SECURITIES OFFERINGS

The Bank issues securities from time to time to raise funds and maintain its capital adequacy ratios.

11.10.1 Primary Offer of Common Shares by Way of an Initial Public Offering ("IPO")

On 31 March 2022, the Bank issued 280,602,800 new common shares (the "**Offer Shares**") on the Philippine Stock Exchange ("**PSE**") at a price of ₱12.00 per share raising a total amount of ₱3,367.2 million from its initial

public offering. The Bank used the net proceeds from the sale of the Offer Shares to fund its lending activities, acquisition of investment securities, and financial capital expenditure requirements in connection with the upgrading of its automated teller machine (ATM) fleet and the ongoing upgrade of its core banking system.

The IPO is part of the Bank's Universal Banking license application. With a universal banking license, the Bank will have more opportunities to generate and warehouse interest bearing assets like marketable securities, generate more fee-based income, and manage risk of securities underwritten and held for trading. This will also enable the bank to enhance its marketing relationship with existing and prospective clients in the large corporate and middle market segments as it will be carrying a broader range of products, from traditional working capital lines and term loans to project finance, initial public offerings, mergers and acquisitions, financial advisory, etc. The latter services are essential to large businesses in planning their expansion programs as a response to the increasing demand brought about by the robust economy.

11.10.2 Bond Issuances under the Programme

On 16 May 2024, the Bank issued its Series B Bonds and raised ₱6.57 billion at 6.5635% per annum with a tenor of 1.5 years. The issuance was 1.3x oversubscribed. On 19 February 2025, the bank issued its Series C in the amount of ₱10.00685 billion in Series C Bonds which have a tenor of 2 years and a fixed interest rate of 6.1942% per annum and Series D Bonds which have a tenor of five and a quarter 5.25 years and a fixed interest rate of 6.3494% per annum.

Prior to this, on 29 July 2022, BankCom successfully listed its maiden issuance of ₱7.5 billion 5.0263% 2-year Series A Bonds on the Philippine Dealing & Exchange Corp. (PDEx), with aggregate orderbook exceeding the original target issue size by more than three times. The strong demand prompted BankCom to increase its issue size from the original ₱3 billion to ₱7.5 billion and end the offer period on 12 July 2022, ten days ahead of the original closing date. The Series A Bonds matured on 29 July 2024 and are no longer outstanding.

11.11 RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank can have transactions with its Related Parties and DOSRI following the established Related Party Transactions Policy. Under the policy, transactions with its DOSRI and Related Parties are entered into on arms length basis and in accordance with the prescribed statutory limits and established control procedures.

For more information, please see the section Titled "Related Party Transactions" of this Offering Circular.

SECTION 12. BOARD AND MANAGEMENT

12.1 BOARD OF DIRECTORS

The Board of Directors of the Bank (the "Bank's Board") is the body ultimately responsible for the management of the Bank. The Bank's Board is composed of 15 directors, five of whom are independent directors. The Board is a healthy mix of individuals with diverse experiences, backgrounds, and perspectives. The membership of the Board is a combination of executive and non-executive directors such that no director or small group of directors dominates the decision-making process. All directors were chosen based on their qualifications, namely, integrity, probity, market reputation, conduct and behavior, relevant education and training, physical and mental fitness, knowledge, and experience. All directors possess such qualifications and stature that enable each of them to effectively participate in the deliberations of the Board.

Directors are elected by the shareholders for a period of one year. Generally, there are no restrictions on re-election. However, beginning on 2 January 2012, the Philippine SEC set a limit on the term of independent directors serving in listed, public, and mutual fund companies. An independent director may only serve as such for a maximum cumulative period of nine years after which the independent director shall be barred perpetually from being elected as independent director in the same company.

The following table sets forth the persons who currently serve on the Board of Directors, with their corresponding positions and number of years of service as of 30 June 2026. Each member of the Board of Directors holds at least one (1) qualifying share in the Bank as of the same date. The succeeding sections present the brief profiles of the Board Members.

Name	Position	Years of Service *As of 30 June 2026*
Board of Directors		
Benedicta Du-Baladad	Chairperson Non-Executive Director	12 yrs. & 5mos.
Roberto C. Benares	Vice-Chairperson, Former President and CEO, Non-Executive Director	13 yrs. & 2 mos.
Michelangelo R. Aguilar	President and CEO, Executive Director	7 yrs. & 11 mos.
Fe B. Barin	Non-Executive Director	12 yrs. & 2 mos.
Marito L. Platon	Non-Executive Director	16 yrs. & 2 mos.
Jose A. Barcelon	Non-Executive Director	2 yrs. (effective June 26, 2024)
Alexander R. Magno	Non-Executive Director	11yrs. & 11 mos.
Melinda S. Gonzales-Manto	Non-Executive Director	9 yrs. as Independent Director; 4 yrs. and 2 mos. as Non-Executive Director since elected on April 29, 2022
Jose Carmelo C. Nograles	Non-Executive Director	9 yrs. as Independent Director; 2 yrs. & 2mos. as Non-Executive Director since elected on April 30, 2024
Antonio S. Laquindanum	Executive Director	1 yr. & 1 mo. (*elected on May 27, 2025*)
Ricardo D. Fernandez	Independent Director	5 yrs. & 6 mos.
Leonardo J. Matignas, Jr.	Independent Director	3 yrs. (effective on June 28, 2023)
Antonio S. Abacan, Jr.	Independent Director	11 mos. (elected on July 29, 2025)
Rafael G. Ayuste, Jr.	Independent Director	9 mos. (elected on September 30, 2025)
Marie Josephine M. Ocampo	Independent Director	Elected on June 30, 2026

Name	Position	Years of Service *As of 30 June 2026*
Board Advisors:		
Jose T. Pardo	Chairman of the Board of Advisors	18 yrs. & 4 mos. as Director, 10 yrs. as Chairman of the Board, and 4 yrs. and 4 mos. as Chairman of the Board of Advisor since February 16, 2022
Aurora T. Calderon	Board Advisor	14 yrs. & 11mos.
Cecile L. Ang	Board Advisor	10 yrs. & 8 mos.
Evita C. Caballa	Corporate Secretary	2 yrs. as Asst. Corporate Secretary; 16 yrs. & 2 mos. as Corporate Secretary and 3 yrs. & 3 mos. as Director

BENEDICTA A. DU-BALADAD
Chairperson, Non-Executive Director
Filipino, 64 years old

Atty. Benedicta "Dick" Du-Baladad has been a member of the Board of Directors of the Bank since 31 January 2014. She is the Chairperson of the Board of Directors, Chairperson of the Trust and Investments Committee, and a member of the Executive Committee. She was previously a member of the Bank's Board Risk Oversight Committee (BROC) from 2014-2017, as well as the Audit Committee until April 2022.

She is the Founding Partner and CEO of Du-Baladad and Associates (BDB Law), a premier tax law firm specializing in taxation, transfer pricing, and related corporate services. Before establishing BDB Law, she served as Tax Partner at Punongbayan and Araullo, where she played a key role in expanding the firm's tax practice, and earlier held various leadership positions at the Bureau of Internal Revenue, where she pioneered the establishment of the Large Taxpayers Service.

A Certified Public Accountant and lawyer, she graduated Magna Cum Laude with a Bachelor's Degree in Accountancy from Saint Louis University (1982) and obtained her Bachelor of Laws from the University of Santo Tomas (1989). She completed the Master of Laws and International Tax Program at Harvard University and the Advanced Management Program at the Wharton School of the University of Pennsylvania.

Beyond legal practice, she is deeply involved in corporate governance, business leadership, and tax policy reform. She is currently on her second year of serving as the Chairperson of the Institute of Corporate Directors, and holds several positions in major business and professional organizations, including as Overall Chairperson of the BIR–Private Multi-Sectoral Working Group (BIR-PMSG) under the Philippine Chamber of Commerce and Industry (PCCI), Co-Chairman of the Tax and Financial Services Committee of the European Chamber of Commerce of the Philippines (ECCP), and Cluster Chair for Taxation, Investment Promotion, and Capital Market of PCCI. A former President of the Management Association of the Philippines (MAP), Financial Executives of the Philippines (FINEX), and Tax Management Association of the Philippines (TMAP), she has been at the forefront of public-private collaboration on tax administration and legislative reform, and is frequently invited as a resource speaker and technical expert in Senate hearings and policy consultations.

Her outstanding contributions have earned her numerous accolades and rankings, including recognition by the International Tax Review, Chambers & Partners, The Legal 500, AsiaLaw, and recognized as one of Asia's Top 15 Female Lawyers in 2024 by Asia Legal Business.

She is also an author and columnist, having published several notable works on taxation, including Taxation of Financial Institutions in the Philippines, which won an Anvil Award of Merit, as well as books on the taxation of banks, non-bank financial intermediaries, and insurance companies. She publishes The Philippine Internal Revenue Code Book and writes for BusinessMirror and the Philippine Daily Inquirer.

Reflecting her stature in the profession, she served as Bar Examiner for Taxation in the 2023 Philippine Bar Examinations and has also taught Taxation at the University of the Philippines Diliman and the University of Santo Tomas, helping shape future generations of tax practitioners and lawyers.

MICHELANGELO R. AGUILAR
President and CEO, Executive Director
Filipino, 70 years old

Mr. Michelangelo R. Aguilar was elected member of the Board of Directors and appointed President and Chief Executive Officer (CEO) of the Bank on 16 July 2018. Concurrent to his position as Executive Director, he is also the Chairperson of the Bank's Underwriting Committee (UWCom), Vice-Chairperson of the Executive Committee (ExCom), and a member of the Trust and Investments Committee (TIC) and Information Technology Steering Committee (ITSC).

Outside the Bank, Mr. Aguilar serves as a member of the Board of Directors of the Bankers Association of the Philippines (BAP) and sits on the Data Privacy Council Group as a committee member. He is also a member of the Board of Directors of BancNet, Inc., the largest interbank network and ATM consortium in the Philippines, for the term 2025-2026.

Mr. Aguilar has over 40 years of banking experience with expertise in Corporate and Investment Banking, Global Markets, and Treasury. He spent 22 years with international banks, starting his career as an Executive Trainee at Citibank Philippines. Over time, he advanced through key roles in Banking Operations, Treasury and Sovereign Risk, serving as Assistant Manager, Manager, and Assistant Vice President.

He later held senior leadership positions at Standard Chartered Philippines, where he served as Country Treasurer, Managing Director, and Head of Wholesale Bank. Across two stints totaling 13 years, he served at Solidbank Corporation (1991 to 1997) as Senior Vice President & Treasurer, and later at Rizal Commercial Banking Corporation (2011 to 2018) as Segment Head and Conglomerates and Global Corporate Banking Group Head. He was also a Director of RCBC Rental Corporation and RCBC Leasing and Finance Corporation.

Mr. Aguilar holds a Bachelor of Science degree in Mechanical Engineering from De La Salle University and a master's degree in Business Management from the Asian Institute of Management. He is a licensed Mechanical Engineer and a Certified Treasury Professional by the Bankers Association of the Philippines (BAP).

ROBERTO C. BENARES
Vice-Chairperson, Former President and CEO, Non-Executive Director
Filipino, 73 years old

Mr. Roberto C. Benares has been elected as member of the Board of Directors of the Bank since 30 April 2013. Before he was succeeded by Mr. Michelangelo R. Aguilar, he assumed his position as President and CEO of Bank of Commerce on 1 August 2013 where he took the lead in strengthening the the balance sheet of the Bank, grew its branch network and asset base. He currently sits as Vice-Chairperson of the Board of Directors, chairs the Executive Committee (ExCom) and Information Technology Steering Committee (ITSC), and sits as a member of the Underwriting Committee (UWCom). Director Benares used to sit as a member of the Board Risk Oversight Committee (BROC) until April 2023.

Previously, Mr. Benares was the Managing Director of Maybank ATR Kim Eng Capital Partners, Inc. He started his banking career at Bancom Development Corp. as Assistant Treasurer prior to holding the position of Vice President of Account Management at United Coconut Planters Bank. He also served as Managing Director at Asian Alliance and Executive Vice President at Insular Investment & Trust Corporation, and Vice President at Philamlife.

Mr. Benares holds a degree in Bachelor of Science in Mechanical Engineering from De La Salle University and has a Master's Degree in Business Management at the Asian Institute of Management.

FE B. BARIN
Non-Executive Director
Filipino, 92 years old

Mrs. Fe B. Barin has been elected as member of the Board of Directors since 24 April 2014. She is currently a member of the Corporate Governance Committee (CGCom), Board Risk Oversight Committee (BROC), and Nomination, Compensation, and Remunerations Committee (NCRC).

She is an Honorary Fellow of the Institute of Corporate Directors and a founding member of the Judicial Reform Initiative, all non-stock nonprofit associations.

Mrs. Barin's career in the government service has been in the regulatory and supervisory agencies. She spent a total of fifty-three (53) years of service in the government, forty-four of which in the then Central Bank of the Philippines and the Bangko Sentral ng Pilipinas where she served as Member of the Monetary Board from 2002 to 2004. She was the first Chairperson of the Energy Regulatory Commission created under the EPIRA in 2001, which position she occupied from August 2001 to September 2002 prior to her appointment as Monetary Board member. In September 2004, she was appointed Chairperson of the Securities and Exchange Commission (SEC) for a seven-year term ending 2011. As Chairperson of the SEC, she was ex Officio member of the Anti-Money Laundering Council and Chairperson of the Credit Information Corporation. She also served as Assistant Legal Counsel in the Philippine Deposit Insurance Corporation on secondment from the then Central Bank.

Mrs. Barin graduated from the College of Law, University of the Philippines, passed the Bar examinations given the same year and admitted to the Philippine Bar in 1957.

MARITO L. PLATON
Non-Executive Director
Filipino, 73 years old

Mr. Marito L. Platon was elected on April 30, 2010 as member of the Board of Directors of the Bank. He is currently a member of the Executive Committee (ExCom), Information Technology Steering Committee (ITSC), and Trust and Investments Committee (TIC). He was previously a member of the Board Risk Oversight Committee (BROC) (former Chairman), Audit Committee, Corporate Governance Committee (CGCom), and the Related Party Transactions Committee (RPTCom). Mr. Platon has been the driving force behind the consistent growth of the Bank's business in partnership with clients.

Currently, he serves as Chairman and President of Villa Maria Resorts and Development Corporation, a tourism and property development family-owned corporation, as well as Capricorn Resources Inc.

Mr. Platon has 27 years of treasury and corporate finance experience at San Miguel Corporation and Coca-Cola Bottlers Philippines, Inc. (CCBPI) as Vice-President and Treasurer supervising various departments/functions in the areas of Treasury management and operations, funds planning and loans management, banking relationship, working capital management, capital budgeting and project coordination, tax administration and management, insurance and risk management, credit and collection, systems design and development, and provident fund operations as he was also the former Managing Trustee of the CCBPI Retirement Plan. Aside from formerly holding directorship and/or management positions in various companies or undertakings involved in investment banking, corporate leasing, internal auditing, security services, aquaculture operations, food retailing, among others, including education as former Chairman at non-sectarian Institute for Esoteric Studies, he was also formerly director and CFO of CCBPI's real estate companies Marangal Properties, Inc. and Luzviminda

Landholdings, Inc. Mr. Platon likewise has over 30 years of rural banking experience being former Chairman and President of Rural Bank of Talisay (Batangas), Inc.

Mr. Platon graduated in 1973 at De La Salle University with a degree in Bachelor of Science, Major in Accounting.

ALEXANDER R. MAGNO
Non-Executive Director
Filipino, 71 years old

Mr. Alexander R. Magno became a member of the Board of Directors of the Bank on August 01, 2014 and currently sits as a member of the Executive Committee (ExCom), and Underwriting Committee (UWCom). He used to be a member of the Bank's Trust and Investment Committee (TIC) until April 2023.

Mr. Magno is a columnist of the Philippine Star and consults for both the Department of Finance and the Steel Asia Manufacturing Corporation. Mr. Magno's career best describes him as a policy advocate, public intellectual and an activist. He served as a member of the Board of the Development Bank of the Philippines, helping supervise such programs as the Nautical Highway System from 2001 to 2010. He was Director of Steel Asia Manufacturing from 1995 to 1999 and a professor at the University of the Philippines from 1976 to 2018. After the EDSA Revolution, he served as interim director of the President's Center for Special Studies, a think tank put together during the Marcos period which supplied regular briefing papers for President Corazon C. Aquino. He helped establish the Foundation for Economic Freedom (FEF), a research and advocacy institution proposing market-driven economic policies providing research for key liberalization policies including the Liberalization of the Retail Trade, the Electricity Power Industry Reform Act, and the Procurement Law. He consulted for the privatization program of the Metropolitan Waterworks and Sewerage System (MWSS) and the liberalization of the telecommunications sector. In 2005, he was appointed Commissioner of the Consultative Commission on Charter Change and served as a commissioner of the EDSA People Power Commission.

His social activism during the martial law led to his career as an instructor of political science at the University of the Philippines (U.P.), Diliman. Mr. Magno supported student representation in 1975, winning a seat at the UP Student Conference and served as Vice Chairman of the organization. Mr. Magno had regular editorial columns at the Manila Times, the Manila Chronicle, and the Manila Standard. He remains an important columnist at the Philippine Star since 2003 and his columns became main reference points for building democratic and reformist public opinion.

Mr. Magno graduated in 1975 from U,P., Diliman, with a degree in Bachelor of Arts in Political Science. In 1981, he obtained a master's degree in Political Science from the same university.

MELINDA S. GONZALES-MANTO
Non-Executive Director
Filipino, 74 years old

Ms. Melinda S. Gonzales-Manto (Linda) has been a member of the Board of Directors of the Bank since April 30, 2013. She currently serves as member of the Related Party Transactions Committee, Board Risk Oversight Committee, and the Audit Committee. She was formerly the Chairperson of the Bank's Audit Committee.

Ms. Manto likewise sits in the Board of Directors of Linferd & Company, Inc. (Linferd & Company) and ACB Corabern Holdings Corporation (ACB Corabern Holdings). Additionally, she is the Lead Independent Director of Eagle Cement Corporation (Eagle Cement) and Petrogen Insurance Corporation (Petrogen), and an Independent Trustee of RSA Foundation, Inc. and a Director of RSA Holding Inc.

Ms. Manto functions as the Vice-President of Linferd & Company as well as ACB Corabern Holdings while also the Treasurer of Compsych Philippines, Inc. She is currently the Chairman of the Audit and Risk Committee and

member of the Corporate Governance Committee and Related Party Transactions Committee of Eagle Cement. She chairs the Audit and Risk Oversight Committee and sits as member of the Corporate Governance Committee and Related Party Transactions Committee of Petrogen. She was formerly a board member of GSIS Family Bank.

Ms. Manto started her career in SyCip, Gorres, Velayo & Co. (SGV). She is a celebrated accountant and is looked up to as an expert in assurance and business advisory. Her areas of specialization include retail, manufacturing, food processing and distribution, real estate, radio and television broadcasting, technology, steam power generation, agribusiness, semiconductors, and electronics. She is highly respected as well in initial public offerings, due diligence engagements, and mergers and acquisitions. Her stint in the audit corporate world lasted for more than three decades. She retired as a Partner in the Assurance and Advisory Business Services Division of SGV. While in SGV, she served as the Head of the Consumer Products Industry for Asia and the Pacific of SGV/Ernst & Young Philippines and SGV/Arthur Andersen. Wanting to expand her horizon, she also functioned as a board member and auditor of the Philippine Retailers Association for almost a decade. She was previously assigned to the Cincinnati Office of Arthur Andersen in Ohio where she spearheaded the audit engagements of manufacturing and retail clients.

Ms. Manto finished elementary and high school as valedictorian and graduated cum laude with a degree of Bachelor of Science in Business Administration, major in Accounting at the Philippine School of Business Administration. She is a Certified Public Accountant and a lifetime member of the Philippine Institute of Certified Public Accountants. She completed the Management Development Program at the Asian Institute of Management and had computer training at the Institute of Advanced Computer Technology.

JOSE CARMELO C. NOGRALES
Non-Executive Director
Filipino, 76 years old

Mr. Jose C. Nograles has been an elected as member of the Board of Directors of the Bank since April 20, 2015. He serves as a member of Corporate Governance Committee (CGCom), Related Party Transactions Committee (RPTCom), and Audit Committee (AuditCom).

He is likewise a Director of Amalgamated Investment Bancorporation, Inc., FinQuest Technologies (OPC), and Rosario Heights Servicecenter. He is also an Independent Director of First Metro Save & Learn Equity Fund, Inc., First Metro Asia Focus Equity Fund, Inc., First Metro Save and Learn FOCCUS Dynamic Fund, First Metro Consumer Fund, Inc., DragonFi Securities Corporation, Asia Best Group.

Mr. Nograles continues to be a strict advocate of the Bank's conscientious and efficient use of resources towards sustainable care for the environment. A seasoned investment banker and economist, Jose C. Nograles was President of the Philippine Deposit Insurance Corporation (PDIC) from January 2008 to May 2011 where he led PDIC's transformation to a more responsive and innovative institution. Previously, he was the Senior Executive Vice President of the Land Bank of the Philippines (LBP). In 2005, he headed LBP's Operations and Corporate Services Sector. Five years earlier, as Senior Vice President and Treasurer, he organized LBP's combined Treasury and Investment Banking. He was also concurrently Board Vice-Chairman and President of Land Bank Insurance Brokerage Inc., LBP's subsidiary engaged in insurance brokerage and foreign exchange trading. He was a fellow of the Institute of Corporate Directors.

Mr. Nograles started his career in 1969 as part of the management services staff of SGV and Company. By 1973, he worked in government as a Senior Consultant to former Secretary Arturo R. Tanco, Jr. of the Department of Agriculture and Natural Resources. After three years, he rejoined the private sector as General Manager of Sarmiento Management Corporation. He moved to Anflo Management & Investment Corporation as Vice President in 1977 to head its Automotive Group of car dealerships and the Corporate Planning Department. He later founded his family's realty company engaged in commercial building and hotel operations in Davao City in 1980. In 1984, he was appointed Assistant Minister for Planning and Project Management of the Ministry of

Natural Resources. In 1991, he joined Columbian Autocar Corporation as Vice President and General Manager that introduced the Kia brand in the Philippines.

Mr. Nograles obtained his BA in Economics with honors (Cum Laude) from the Ateneo de Manila University in 1969 and his master's degree in business administration from the Asian Institute of Management in 1973.

RICARDO D. FERNANDEZ
Independent Director
Filipino, 72 years old

Mr. Ricardo D. Fernandez was elected as an Independent Director of the Bank effective 01 January 2021. He is currently the Chairman of the Related Party Transactions Committee (RPTCom), and a member of the Corporate Governance Committee (CGCom) and the Nomination, Compensation and Remunerations Committee (NCRC).

He has worked in the investment banking industry for 40 years. Mr. Fernandez was employed at Unicapital Incorporated (UI) from 1995 to 2019, where he was appointed as President from 1997 to March 2019, became a Consultant until December 2019, and Director until March 2020. From 1980 to 1995, he was employed at Multinational Investment Bancorporation (MIB).

Mr. Fernandez graduated from the De La Salle University with degrees in Behavioral Science and Business Management. He also holds a master's degree in business administration from the University of the Philippines.

LEONARDO J. MATIGNAS, JR., CPA, CFE, CIA, CRMA, MM, FCPA Australia
Independent Director
Filipino, 64 years old

Mr. Leonardo J. Matignas, Jr. has been an Independent Director of the Bank since June 28, 2023. Concurrent with his function as the Lead Independent Director, he chairs the Bank's Audit Committee (AuditCom) and sits as member of the Board Risk Oversight Committee (BROC), Related Party Transactions Committee (RPTCom), and Nomination, Compensation and Remunerations Committee (NCRC).

He likewise sits as an Independent Director of the Rural Bank of Sta. Maria (Ilocos Sur), Inc. and Anchor Land Holdings, Inc., where he chairs their Audit Committees.

Mr. Matignas is a multi-awarded and internationally recognized authority on Enterprise Risk Management (ERM). Prior his retirement on June 30, 2022, he was a Partner and Chief Risk Officer of SGV & Co., a member practice of Ernst & Young. He was also Ernst & Young's ASEAN Risk Management Leader until his retirement.

Over the course of his career, he had started service lines that paved the way for Certified Public Accountants (CPAs) to venture into other avenues such as forensic accounting, risk-based auditing, and in risk management, either as a risk owner or risk champion. He was also very instrumental in SGV's accreditation by the Securities and Exchange Commission as an institutional training provider for Corporate Governance, for which he was the lead lecturer.

In 2022, Mr. Matignas released his book entitled "A Practical Approach to Enterprise Risk Management," the first book on ERM written by a Filipino author for the Filipinos.
In November 2023, he released his second book, "Piercing the Numbers- Fraud and Forensics."

In November 2025, he released his third book. "From Risks to Opportunities: Integrating Sustainability into Enterprise Risk Management."

Aside from being included as one of the Top 100 CPAs in the celebration of the 100 years of the accounting profession, Leo received in August 2025 the "Outstanding Professional of the Year Award in the Field of Accountancy. He is also the recipient of local and international awards.

Mr. Matignas holds a Bachelor of Science degree in Commerce, Magna Cum Laude, from San Sebastian College. He is also a CPA, and has completed Management Development Program at the Asian Institute of Management and Master's in Management - International at the University of Phoenix. Aside from being a Philippine CPA, he also holds a Fellow CPA (FCPA) Australia which is the highest rank in CPA Australia and is recognized globally. He is also a Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), and has Certification in Risk Management Assurance (CRMA) – all of which are global certifications. In 2021, he completed an executive program, "Journey to the Boardroom," conducted by the Harvard Business Publishing Corporate Learning in collaboration with Ernst & Young.

JOSE A. BARCELON
Non-Executive Director
Filipino, 68 years old

Atty. Jose A. Barcelon waselected as member of the Bank's Board of Directors of the Bank effective June 26, 2024. He is currently a member of the Nomination, Compensation, and Remuneration Committee (NCRC) and the Underwriting Committee (UWCom).

He had been appointed as conservator, receiver, and liquidator for various companies regulated by the Insurance Commission of the Philippines and served as Corporate Secretary for a number of companies, including United Coconut Planters Bank (UCPB) Savings Bank, UCPB Rural Bank, UCPB Properties, Inc., UCPB Securities Inc., UCPB Leasing and Finance, United Coconut Planters Life Assurance Corp. (Cocolife), UCPB General Insurance, Inc., All Nations Security and Investigation, New Ultra Security, and Ultra Security Services, Inc.

He also functioned as Director and Corporate Secretary of the following companies: (a) United Coconut Planters International; (b) United Funds, Inc.; (c) Cocolife Inc.; (d) Cocogen, Inc.; (e) Cocoplans, Inc.; (f) Silahis Marketing Corp.; (g) Minola Refining Corporation; (h) San Pablo Manufacturing Corp.; and (i) Granex, USA.

Atty. Barcelon served as Head of the Legal Services Department of UCPB and Cocolife, Inc, and was a Partner in Mendoza and Barcelon Law Offices and RB Ancheta Law Office. He was also a Senior Associate Lawyer in Solis and Medina Law Offices. Previously, he worked Special Legislative Officer and Legislative Staff Officer at the House of Representatives.

Atty. Barcelon obtained his Bachelor of Arts in Political Science and Bachelor of Laws degrees from the University of the Philippines.

ANTONIO S. LAQUINDANUM
Executive Director, Executive Vice President & Chief Financial Officer
Filipino, 49 years old
Mr. Antonio S. Laquindanum was elected as member of the Board of Directors of the Bank on May 27, 2025. He sits as a member of the Information Technology Steering Committee (ITSC) and Underwriting Committee (UWCom). He has also been the Bank's Executive Vice President since 2022 and Chief Financial Officer since 2018.
Mr. Laquindanum also sits as a Director of Lake Champlain Holdings and Riesenwasser Land, Inc.
He brings more than 28 years of experience in the finance and banking industry, both in the Philippines and overseas. He previously served as Chief Financial Officer and Acting Chief Operating Officer of the Manila office of the Australia and New Zealand Banking Group. Before entering the Philippine banking sector, Mr. Laquindanum worked as a Consultant with Andersen Consulting (Philippines) and Ernst & Young (New York).

His career has spanned the Philippines, Europe, and the United States, where he has worked with a wide range of financial institution clients.
Mr. Laquindanum graduated from Ateneo de Manila University with a degree in Bachelor of Arts in Management and Economics in 1998 and earned his Masters of Business Administration from Darden Graduate School of Business Administration at the University of Virginia in 2006.

ANTONIO S. ABACAN, JR.
Independent Director
Filipino, 83 years old

Mr. Antonio S. Abacan Jr. became a member of the Board of Directors effective July 29, 2025. He is the Chairperson of the Corporate Governance Committee (CGCom) and Nomination, Compensation and Remunerations Committee (NCRC), and a member of the Audit Committee (AuditCom) and Related Party Transactions Committee (RPTCom).

He is likewise currently an Independent Director of COSCO Capital, Inc., Primex Realty Corporation, San Miguel Food and Beverage, Inc., and San Miguel Corporation.

Director Abacan was appointed as Member of the Monetary Board of the Bangko Sentral ng Pilipinas from July 4, 2017 to July 2, 2023. Before being appointed thereto, he already had a long and noteworthy history in the Banking and Finance Industry of the Philippines. He was President, Chairman and Senior Adviser of Metropolitan Bank & Trust Company; President and Director of Metrobank Card Corporation, the Philippine Savings Bank, and Data Serv Corporation; and President and Adviser of GT Capital Holdings. He was Chairman of the Board of Directors of several institutions such as First Metro Investment Corporation, Philippine Charter Insurance, Toyota Financial Services (Phils.), Inc., Sumisho Motor Finance Corporation, Manila Doctors Hospital, Orix Metro Leasing and Finance Corporation, Manila Tytana Colleges, among many others. He was also Director for Banking, Finance and Taxation of the Philippine Chamber of Commerce & Industry; Governor of Makati Commercial Estate Association (MACEA); President of DARE Philippines Association, Inc.; and Senior Adviser of Metrobank Foundation.

Director Abacan has made his mark in the industry as proven by his personal achievements. In recognition of his outstanding contributions in banking, he was conferred “The Outstanding Filipino” award in 2008 by Philippine Jaycee Senate. He was a Communications and Leadership Awardee by Toastmaster International in 1999 and a CEO Excel Awardee by the International Association of Business Communicators in 2006. He was recognized by Mapua Institute of Technology, Meycauayan College and Far Eastern University as the Outstanding Alumnus for the years 1987, 1988, and 2007, respectively. His long line of achievements also includes being a recipient of the Ulirang Ama Award in 1998 (National Father’s Day & Mother’s Day Foundation), Outstanding Bulakeno 1999 (Dangal ng Lipi Awards), and Huwarang Anak ng Bulacan 2011 (Club Bulakeno, Inc.).

Director Abacan obtained his Bachelor of Science degree in Business Administration Major in Banking & Finance at Mapua Institute of Technology and Major in Accounting at Far Eastern University. Additionally, he attended an Executive Program at the Graduate School of Business, Stanford University, and earned his Doctorate Degree in Business Administration (Honoris Causa) at the Philippine Women’s University.

RAFAEL G. AYUSTE, JR.
Independent Director
Filipino, 62 years old

Mr. Rafael G. Ayuste, Jr. became a member of the Board of Directors effective September 30, 2025. He is the Chairman of the Bank’s Board Risk Oversight Committee (BROC), and a member of the Trust and Investments Committee (TIC) and Related Party Transactions Committee (RPTCom).

He is an experience-based member of the Institute of Corporate Directors. He is also a Director of the National Reinsurance Corporation of the Philippines, a Philippine Stock Exchange listed company, since 2013. Mr. Ayuste also currently functions both as a Director and Corporate Secretary of Trifecta Holdings, Inc., Diviprov Development Corporation, Alliance Realty Enterprises, Inc., Co An and Sons, Inc., and Sirius Arctic Ventures, Inc. He is also the current President and Chief Executive Officer of Pacific Hyperbaric and Regenerative Corporation.

Mr. Ayuste was a four (4) term President and a multi-term Director of the Trust Officers Association of the Philippines (TOAP). Prior to his retirement from BDO Universal Bank, Inc., he was the Senior Vice President and Group Head of the Trust and Investments Group of BDO Unibank, Inc. Prior to this, he was the Senior Vice President of Wealth Advisory and Trust Group of BDO Private Bank, Inc. and First Senior Vice President and Head of the Trust Banking Group of Philippine National Bank from 2009 to 2013. He was also the Vice President and Head of Retail Branch Banking, Citibank Savings, Citibank N.A. Philippines from 2008 to 2009; Senior Vice President/Deputy Group Head of Trust Banking of the Metropolitan Bank and Trust Company through merger with Global Business Bank from 2000 to 2008; Vice President/Head of Securities Distribution of the Banco Santander Philippines, Inc. from 1999 to 2000; Vice President/Head of Trust Division, Security Bank Corporation from 1996 to 1999; Assistant Vice President and Head of Peso and Dollar Trading Desks of Citibank, N.A., Citibank Global Asset Management (CGAM) from 1989 to 1996.

Mr. Ayuste earned his Bachelor of Science degree major in Business Administration from the University of Santo Tomas in 1986. He was also nominated for a Master's degree in Business Administration at De La Salle University in 1992 and an Executive Master's degree in Business Economics at the University of Asia & Pacific in 2005. He has attended various seminars such as Enterprise Risk Management, Financial Risk Management, and Corporate Governance.

MARIE JOSEPHINE MARQUEZ OCAMPO
Independent Director
Filipino, 64 years old

Ms. Ocampo is a seasoned C-suite executive and board director, with over three decades of leadership experience in financial institutions and multinational consumer goods companies. She holds deep expertise in strategy, general management, credit risk management and marketing and extensive experience across retail banking, fast moving consumer goods, payments, fintech ventures and e-commerce through a combination of senior executive roles and board directorships. Ms. Ocampo currently sits as a director of EVO Finance Philippines and a Board advisor of Card MRI Rizal Bank.

From 2018 to 2024, Ms. Ocampo was a director of Card MRI Rizal Bank. Prior this, she was also a director of BPI Direct Banko, where she became Chairman of the Board from 2020 to 2024. She also held directorship in AF Payments Inc., BPI Global Payments Inc., Legazpi Savings Bank, and Zalora Philippines.

Remarkably, Ms. Ocampo served as the Executive Vice President of Bank of the Philippine Islands from 2019 to 2024, and President of BPI Card Corporation from 2000 to 2003. Earlier in her career, she also assumed various roles such as Associate Marketing Director of Johnson and Johnson, Philippines Inc., Assistant Product Manager of Johnson and Johnson, Australia Pty. Ltd., and Brand Assistant of Procter and Gamble Philippines.

Ms. Ocampo holds a Bachelor of Science degree, Major in Business Management, from the Ateneo de Manila University where she graduated Magna Cum Laude in 1984. She obtained Management Development Program from the Asian Institute of Management in 1992 and Senior Management Program from the University of California, Berkeley, in 1994. She is also a graduate of the 2007 Advance Management Program of Harvard Business School.

12.2 SENIOR EXECUTIVE TEAM

The members of senior executive team, subject to the control and supervision of the Board, collectively have direct charge of all business activities of the Bank. They are responsible for the implementation of the policies set by the Board of Directors. The following is a list of the Bank's executive officers as of 30 June 2026:

SENIOR EXECUTIVE TEAM	
Manuel A. Castañeda III 56, Filipino *Executive Vice President* *Corporate Banking Group Head*	Bank of Commerce – *Former Corporate Banking Group 1 Head* Producers Savings Bank - *Former President, CEO and Director* Maybank Philippines - *Former Global Banking Head* Unionbank of the Philippines - *Former Commercial Banking 1 Head* International Exchange Bank - *Former Corporate Banking Team 1 and Project Finance Head and Former Relationship Manager & Head of Project Finance* AsiaTrust Development Bank – *Former Unit Head, Investment Banking Group and Former Unit Head Portfolio Management* BPI Express Card Corp. – *Former Merchant Assistant*
Mary Assumpta Gail C. Bautista 51, Filipino *Senior Vice President* *Transaction Banking Group Head*	AV Santiago Development Corp – Treasurer Deutsche Bank - *Former Vice President/ Former Corporate Cash Management Head, Senior Relationship Manager* BDO/Equitable PCI Bank - *Former Cash Management Sales and Marketing Department Head* Standard Chartered Bank (Singapore) - *Former Regional Product Manager* Standard Chartered Bank (Philippines) – Former Product Manager Citibank N.A. Philippines – Assistant Product Manager, Former Program Administrator
Don Carlo P. Hernandez 37, Filipino *First Vice President* *Chief Trust Officer*	P&H 828 Commercial Inc - *Director* DCPHERNANDEZ Food Hub - *Sole Proprietor* Maybank Philippines, Inc. - *Former Trust Head* CFA Society Philippines - *Former Trustee* P&H 828 Commercial Inc - *Former President* Valle Verde Mansions Inc. - *Former Board Member* Metropolitan Bank & Trust Co. - *Former Investment Services Division Head*
Maria Ana P. dela Paz 51, Filipino *First Vice President* *Credit Group Head*	Bank of Commerce - *Former Credit Evaluation and Review Division Head* Planters Development Bank - *Former Department Head, Former Product Officer, Former Account Officer, Former Project Officer*
Annalyn D. Delos Santos 52, Filipino *First Vice President* *Branch Banking Group Head*	Bank of Commerce – *Former Metro Manila II Division Head* Bank of Commerce – *Former Metro Manila East Area Head* Export & Industry Bank – *Former Branch Manager* Security Bank – *Former Branch Head* International Exchange Bank – *Former Sales Officers and Branch Manager* Union Bank of the Philippines – *Former Branch Service Officer*
Ma. Katrina T. Alba 57, Filipino *Senior Vice President* *Cards Group Head*	Franzen Foundation Inc – *Stockholder* AKEAN Landholdings Inc – *Stockholder* Prudentialife Plan Group Inc – *Stockholder* Prudentialife Memorial Park – *Stockholder* Prudentialife Tarlac Memorial Park – *Stockholder* Best Inc- *Former Director* Finscore Inc (sister company of Cash Credit) - *Former President* Cash Credit/ CC Mobile Financial Services Phil. – *Former Country Manager*

SENIOR EXECUTIVE TEAM	
	Prudential Financial Services- *Former President & Managing Director, Former Chief Operating Officer* Prudential Life Plan, Inc. – *Former Vice President Personnel Department* Bank of America NT & SA Manila – *Former Operations Manager, MIS Department*
Louella P. Ira 54, Filipino *Senior Vice President* *Legal Services Division Head and Assistant Corporate Secretary*	Bank of Commerce - *Former Legal Services-Operations Department Head* Metropolitan Bank & Trust Co- *Former Legal Officer* Metrobank Card Corporation – *Former Assistant Corporate Secretary* Insular Life & Assurance Co. – *Former Legal officer* Padilla Jimenez Kintanar & Asuncion – *Former Associate*
Antonio S. Laquindanum 49, Filipino *Executive Vice President* *Chief Financial Officer*	Bank of Commerce – *Executive Director* Lake Champlain Holdings - Director Australia and New Zealand Banking Group - *Former CFO Philippines and Acting COO, Former Philippine Head of Finance and Administration* Ernst & Young, LLP (USA) – *Former Manager* Accenture – Former *Senior Consultant/Senior Team Lead*
Melanie P. Santos 51, Filipino *First Vice President* *Human Resource Mgt. and Dev't. Division Head*	Union Digital Bank - *Former Chief Human Resource Officer* HR Consultant - *Former SM Investment Corp - Goldilocks* "Maybank Philippines, Inc - *Former Deputy HR - Talent Management, Resourcing, Total Rewards and Shared Services"* Premiere Bank - *Former Head of Recruitment and Organizational Development* Philippine Savings Bank - *Former Senior Training Officer* Bank of the Philippine Islands - *Former Recruitment Job Analyst, Training Specialist*
Joel O. Longalong 50, Filipino *First Vice President* *Chief Audit Executive*	Bank of Commerce – *Former IT Audit Department Head* Bank of Commerce – *Former Officer-In-Charge Concurrent IT Audit Department Head* Asia United Bank – *Former IT Audit Department Head* Security Bank - *Former IT Auditor* KPMG Laya Mananghaya Consulting, Inc. - *Former Functional Consultant* Corporate Information Solutions, Inc. – *Former Technical Specialist-Programmer/Analyst*
Jeremy H. Reyes 47, Filipino *First Vice President* *Chief Risk Officer*	Bank of Commerce - *Former Internal Audit Division Quality Assurance Review Dept. Head* HSBC – *Former Commercial Banking Business Risk & Control Management Head, Former Assistant Vice President, Management Internal, Former Assistant Manager, Credit Administration* HSBC Savings - *Former Deputy Head of Audit*
Felipe Martin F. Timbol 56, Filipino *Executive Vice President* *Treasurer/ Treasury Management Group Head*	Bank of Commerce –*Former Treasury Management Sector Head, and Former Treasury & Fee Based Business Sector Head* Rizal Commercial Banking Corp. – *Former Vice President/Fund Management Group Head* Eastwest Banking Corporation - *Former Sr. Asst. Vice President/Treasury Department* Bank of Southeast Asia – Former Assistant Manager/Trust Department United Coconut Planters Bank – *Former Senior Trader, Former Senior Analyst, and Former General Teller*
Jay S. Velasco	San Miguel Properties Centre Condominium Corp. – Director/President

SENIOR EXECUTIVE TEAM	
53, Filipino *Senior Vice President* *Chief Operations Officer*	Bank of Commerce - *Former Loans Operations Division Head and Former Head Office Operations Support Division Head* Tiaong Rural Bank - *Former Chief Operations Officer* PS Bank - *Former Head Office Operations Division Head, Former Centralized Branch Operations & Support Division Head, Former Process Services Division Head* BPI - *Former Funds Transfer Dept. Head, Former Central Clearing Unit Head, Former Central Clearing Unit Officer, Former Transit Center Officer, and Former Verification Officer* DBS Bank Philippines – *Former Central Clearing Unit Head, Former ATM Center Head, Former Processing Center Head, and Former Centralized Verification Head*
Jose Mari M. Zerna 50, Filipino *Senior Vice President* *Consumer Banking Group Head*	Bank of Commerce - *Former Chief Risk Officer and Former Credit Risk Management Dept. Head* ANZ Banking Group Limited – *Former Account Officer* BPI Capital Corporation – *Former Corporate Finance Officer* Bank of the Philippine Islands – *Former Account Officer (Institutional Banking Group)* Reuters Limited - *Former Treasury Applications Specialist* Misys Banking Systems Inc - *Former Senior Functional Consultant* Citytrust Bank and Trust – *Former Management Trainee*
Francisco Raymund P. Gonzales 54, Filipino *Vice President* *Corporate Communication & Consumer Protection Division Head*	Bank of Commerce – *Former Product Development & Customer Protection Department Head* ChinaBank – *Former Product Manager* Metrobank – *Former Product Manager* AB Capital and Investment Corp. – *Former Deal Officer* Citytrust / BPI – *Former CorPlan Officer* Punongbayan and Araullo – *Former Consulting Staff*
Gregorio M. Yaranon Jr. 55, Filipino Senior Vice President *Chief Compliance Officer*	City Savings Bank – *Former Chief Compliance Officer* CIMB Bank Philippines Inc. – *Former Chief Compliance & Legal Officer* CIMB Bank Berhad (Malaysia) – *Former Consultant for Compliance & Legal* Maybank Philippines Inc – *Former Chief Compliance Officer* Unionbank – *Former Security Officer, Former Litigation Lawyer, Former HR Legal Officer/Industrial & Labor Relations Manager, and Former Compliance Officer*
Luis Martin E. Villalon 53, Filipino Senior Vice President *Investment Banking Group*	First Metro – *Former Head of Coverage Team 1 and Former Deputy Head of Equity Capital Markets* Ampersand Capital Incorporated – *Former Head of Capital Markets* Philippine Commercial Capital Inc – *Former Head of Capital Markets* SB Capital Investment Corporation – *Former Investment Banking Director* HSBC (New York Office) – *Former Vice President of Global Corporate Banking* Citibank (New York Office) – *Former Assistant Vice President of Corporate and Investment Banking* Houlihan Lokey Howard And Zukin – *Former Technical Assistant*
Marie Suzanne Sison-Sevilla 62, Filipino Senior Vice President	IT Managed Services Inc. (ITMSI) – *Director* Intelligent E-Processes Technologies Corporation (IETC) – *Director* PROSYNC Retiremend Fund – *Trustee* Fiesta Pacific Asia, Inc. – *Director* Process Synergy Inc. (PROSYNC) – *Director* SMITS Retirement Fund – *Trustee*

SENIOR EXECUTIVE TEAM	
Chief Information Officer/Digital Services Group Head	SMITS Inc. – *Director* Bell Telecommunications Philippines Inc. – *Former Chief Information Officer and Information Technology Head* Philippine Airlines – *Former Head of Information Services Department* Bank of Commerce – *Former Information Technology Services Division Head* Personas Creadoras – *Former Freelance Independent IT Management Consultant* IBM Philippines – *Former Manager*

12.3 FAMILY RELATIONSHIPS AMONG MANAGEMENT

Mr. Roberto C. Benares, a Director and former President of the Bank, is related within the third civil degree of affinity to Mr. Jose T. Pardo, Chairman of the Board of Advisors. Mr. Benares is married to Mr. Pardo's niece. Other than this, no other family relationships among the directors or senior executives, either by consanguinity or affinity

12.4 INVOLVEMENT IN LEGAL PROCEEDINGS

The Bank is not aware of any of the following events having occurred during the past five (5) years up to the date of this Offering Circular that are material to an evaluation of the ability or integrity of any Director, nominee for election as Director, Senior Executive, underwriter or controlling person of the Bank:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction by final judgment, including the nature of the offence, 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. being subject to any 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;
4. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated; and
5. a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

12.5 COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE BANK

Information as to the aggregate compensation during the last three fiscal years and to the Bank's executive officers and directors as a group is as follows:

12.5.1 Key Management of the Bank

	FY2023	FY2024	FY2025	30 June 2026
	(in ₱ millions)			
Short-term employee benefits	711	820	930	483
Post employment benefits	30	45	32	44
Total	741	865	962	527

The directors receive fees, bonuses and allowances that are already included in the amounts stated above. Aside from the said amounts, they have no other compensation plan or arrangement with the Bank.

12.5.2 Senior Executive Officers

	FY2023	FY2024	FY2025	30 June 2026
	(in ₱ millions)			
Salary	157	175	174	90
Bonuses	45	59	59	29
Other Annual Compensation	0	0	0	0

The senior executive team officers receive salaries and bonuses that are included in the amounts stated above. The Bank has a salary structure in place that is used in determining the remuneration of all employees. Remuneration of executive officers is determined by their current pay, performance, the Bank's performance, and salary scale. Aside from the foregoing, they have no other compensation plan or arrangement with the Bank.

12.6 CORPORATE GOVERNANCE

12.6.1 Board Committees

As part of its increasing focus on corporate governance, the Bank established a number of Board committees.

Executive Committee

The Executive Committee (ExCom) is empowered to approve and/or implement on such specific matters within the competence of the Board of Directors, except those acts expressly reserved by the Revised Corporation Code to the Board of Directors. The ExCom, by unanimous vote of the Board of Directors of the Bank, is empowered and authorized to perform the following functions:

a. on credit proposals and ROPA sales proposals:
   i. evaluate and approve credit proposals and ROPA sales proposals within its authority,
   ii. evaluate and recommend for Board approval credit proposals and ROPA sales proposals within the Board's authority, and
   iii. confirm credit proposals and ROPA sales proposals approved by management
b. evaluate and approve additions to or reversal of provisions related, but not limited, to:
   i. expected credit losses based on the results of the Bank's currently approved methodology;
   ii. allowance for probable losses (APL) on Other Assets (e.g. Meralco deposits, utility deposits and lease arrangement deposits), with P/L impact of Php1 Million and above based on the result of the review of such assets by the Finance & Controllership Group (FCG), and after initial approval of, and endorsement by the Senior Executive Team;
   iii. impairment losses and impairment loss adjustments for ROPA, Non-Loan and Non-ROPA accounts with pending cases, with P/L impact of Php1 Million and above, based on discussions among FCG, Legal Services Division and Acquired Assets Division, and after initial approval and endorsement by the Senior Executive Team
c. note adjustments on APL and Other Assets, and impairment losses and impairment loss adjustments for ROPA, Non-Loan and Non-ROPA accounts with pending cases, that are below the threshold set above;
d. endorse write-off of assets to the Board of Directors;
e. evaluate and recommend to the Board, proposals for the Bank to engage in new products or services, including amendments and enhancements of existing products or services;

f. evaluate and recommend to the Board, proposals for new policies, including amendments to existing policies;
g. evaluate and recommend to the Board, proposals to open new branches or relocate existing branches of the Bank;
h. evaluate and approve the results of performance appraisals of senior management done by the President;
i. report to the Board of Directors during its regular meetings, matters taken up and approved by ExCom during the month prior to the board meeting; and
j. such other functions as the Board of Directors may, from time-to-time delegate to the ExCom.

The Bank's ExCom is composed of five (5) directors. The Vice Chairperson of the Board, Director Roberto C. Benares, serves as the Committee's Chairman. The ExCom meets at least once a month or as often as necessary as may be required by the exigencies of the service.

As a general rule, proposals are taken in a meeting en banc provided that under exceptional circumstances, the Chairman may, upon request deemed meritorious, authorize routing of proposals completely supported by appropriate information, for a decision by referendum.

ExCom meetings may be conducted through modern technology, such as but not limited to, teleconferencing or video conferencing, provided that the ExCom members attending the meeting can actively participate in the deliberations on matters taken. Every ExCom member shall attend in at least fifty percent (50%) of the meetings held within any given year.

Audit Committee

The Audit Committee represents and assists the Board of Directors in the general oversight of the Bank's financial reporting policies, practices and controls and internal and external audit functions. It is responsible for the setting up of the internal audit division and for the appointment, removal and remuneration of the Chief Audit Executive, as well as the appointment of the External Auditor, both of whom report directly to the Audit Committee.

The Audit Committee ensures that the financial reporting framework enables the generation and preparation of accurate and comprehensive information and reports. It endorses to the Board the disclosures in the annual and monthly financial statements. It also evaluates the adequacy and effectiveness of the Bank's internal control system, including information technology security and controls.

The Audit Committee reviews and approves the internal audit charter, scope and frequency of internal audits, budget, frequency, activities, staffing and organizational structure of the internal audit function, including subsequent changes. It receives key audit reports and ensures that Senior Management is taking necessary corrective actions in a timely manner to address the weaknesses, fraud, non-compliance with policies, laws and regulations and other issues identified by the internal auditors. The Audit Committee also oversees the appointment, fees and replacement of external auditors and approves the engagement contract and ensures that the scope of audit covers areas specifically prescribed by the BSP and other regulators. It also ensures that an internal audit service provider is independent and complies with sound internal auditing standards such as the Institute of Internal Auditor's Internal Standards for the Professional Practice of Internal Auditing and other supplemental standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics.

The Audit Committee also ensures that Management has established and is maintaining a whistle blowing mechanism by which officers and staff, in confidence, raise concerns about possible improprieties or malpractice in matters of financial reporting, internal control, auditing or other issues and ensures that arrangements are in place for the independent investigation, appropriate follow-up action and subsequent resolution of complaints.

The Audit Committee is composed of five (5) members, three (3) of whom including the Committee Chairman, are independent directors. Independent Director Leonardo J. Matignas, Jr. serves as the Committee Chairman.

The Bank's Internal Audit Division through the Chief Audit Executive reports functionally to the Audit Committee and administratively to the President.

The Audit Committee meets once a month but with authority to convene additional meetings, as circumstances require.

Board Risk Oversight Committee

The Board Risk Oversight Committee (BROC) is responsible for the development and supervision of the risk management program of the Bank and its trust unit. The BROC assists the BOD in identifying and evaluating risk exposure, developing risk management strategies and promoting a risk management culture in the Bank. Duties and responsibilities include, but are not limited to, the following (1) overseeing adherence to the Bank's risk appetite and risk limits; (2) endorsing for Board approval bank-wide policies on definition, assessment, management, monitoring and reporting credit, market, liquidity, operational, and IT related risks; (3) promoting continuous development and upgrade of risk practices, policies, procedures and structures; and (4) reviewing current and emerging risk exposures to prevent undue concentration of risk in any one product, market, industry or business. The Committee is composed of five (5) members, majority of whom are independent directors. Independent Director Rafael G. Ayuste, Jr. serves as the Committee's Chairman.

Corporate Governance and Compensation Committee

The Corporate Governance Committee (CGCom) assists the Board in fulfilling its corporate governance responsibilities. It is responsible for ensuring the Board's effectiveness, the performance of its statutory and fiduciary responsibilities, enhancing shareholder value, and protecting shareholders' interest through effective oversight of corporate governance practices, the due observance of corporate governance principles and guidelines across all levels of the Bank's personnel and oversight in the implementation of the Bank's Compliance System.

The Committee is composed of five (5) members, majority of whom, including the Committee Chairman, Independent Director Antonio S. Abacan, Jr., are independent directors.

Nominations Compensation and Remuneration Committee

The Nominations, Compensation, and Remuneration Committee (NCRC) reviews and evaluates the qualifications of all persons nominated to the Board, as well as those nominated to other positions requiring appointment by the Board. The NCRC also assesses the qualifications of senior officers recommended for promotion, reviews the Bank's table of organization, succession plan, benefit proposals and outsourcing activities and providers. At the minimum, the NCRC meets quarterly but meetings may be set more frequently to enable the NCRC to properly discharge its duties and responsibilities. The Committee is composed of five (5) members, three (3) of whom, including the Committee Chairman, Independent Director Antonio S. Abacan, Jr., are independent directors.

Trust and Investments Committee

The Trust and Investments Committee (TIC) is primarily responsible for overseeing the trust and other fiduciary activities of the Bank. The TIC reviews and approves transactions of trust and/or fiduciary accounts trusteed or managed by the Trust Services Group including the establishment and renewal of lines and limits with financial institutions, investment outlets and counterparties. TIC also vets new investment outlets and proposed products and services to be offered to clients. It evaluates trust and other fiduciary accounts, reviews the overall business performance, governance and risk management of the Trust Services Group.

The Committee is composed of five (5) members, three (3) of whom are non-executive directors, including its Chairman, Chairperson Benedicta A. Du-Baladad who is an independent director, the President of the Bank who is also a director, and the Bank's Trust Officer.

Related Party Transactions Committee

The Related Party Transactions Committee (RPTCom) assists the Board in fulfilling its responsibility of ensuring that transactions with related parties are handled in an efficient and prudent manner, with integrity, and in compliance with relevant laws and regulations to protect the interest of depositors, creditors, and other stakeholders. For this purpose, the RPTCom evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. It likewise evaluates and vets 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 identical circumstances. The RPTCom receives the monthly report on outstanding balances of all Related Party Transactions and reports to the Board on a monthly basis the Bank's aggregate exposure to Related Parties. The Committee is composed of five (5) members, all of whom are non-executive directors. Majority of the Committee members, including the Committee Chairman, Mr. Ricardo D. Fernandez, are independent directors.

Information Technology Steering Committee

The Information Technology Steering Committee (ITSC), as tasked by the Board of Directors, has the responsibility for IT oversight function to cohesively monitor IT performance and institute appropriate actions to ensure that the Bank's technology strategy and significant technology investments support the Bank's business needs, strategies and objectives.
The Committee is composed of three (3) members, two (2) of whom are non-executive directors, including the Committee Chairman, Vice-Chairperson Roberto C. Benares.

Management Committees

The Bank has also established the following management committees.

Anti-Money Laundering Committee
Asset Liability Management Committee
Bids and Awards Committee
Business Continuity Management Committee (Crisis Management Team)

Business Continuity Management Committee (BCP Team)
Cleahr (Controllership, Compliance, Legal, Audit, Human Resources, and Risk) Committee
Committee on Disciplinary Action
Credit and Collection Committee
Information Technology Steering Committee
ICAAP (Internal Capital Adequacy Assessment Process) Committee
Operations and Policies Committee
Security Committee

SECTION 13. RELATED PARTY TRANSACTION

The Bank, in its regular conduct of business, has entered into transactions with its associate and other related parties principally consisting of credit accommodation, lease arrangement sale of real and other properties acquired (ROPA) which were all done in the regular course of business and are on arms-length basis. Handling of related party transactions follow the regulatory framework enunciated in Circular 895 issued in March 2015. The Bank has constituted a Related Party Transactions Committee (RPTCom) which meets regularly, has a board-approved RPT policy, has identified and maintained a database of all its related parties, monitors outstanding exposures to RPs on a monthly basis and renders reports to the BSP on a quarterly basis. For a description of the related party transactions of the Bank, see also the respective note on Related Party Transactions in the Bank's financial statements.

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

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

The Bank's loan transactions are in the ordinary course of business. Its loan transactions with certain DOSRIs follow the approval process for loans to DOSRI which include vetting of the RPT Committee and approval of the Board of Directors. Further, these loans are limited to the amount of their unencumbered deposits and book value of their paid-in capital contribution in the Bank and subject to secured and unsecured ceilings pursuant to existing banking regulations.

As of 30 June 2026, the Bank has no outstanding DOSRI loans.

BSP Circular No. 914 provides the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and QBs. Under the said Circular, the total outstanding loans, other credit accommodations and guarantees to each of the bank's/QB's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/QB, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/QB; and the subsidiaries and affiliates of the lending bank/QB are not related interest of any director, officer and/or stockholder of the lending institution,

The BSP issued Circulars No. 914 and No. 1001 allow a separate individual limit to loans of banks/QBs to their subsidiaries and affiliates engaged in infrastructure, energy and power generation, and other priority programs and projects, including those under the Public-Private Partnership (PPP) Program of the government, shall be subject to a separate individual limit of 25.0% of the net worth of the lending bank/QB: provided, that the unsecured portion thereof shall not exceed 12.5% of such net worth: provided further, that these subsidiaries and affiliates are not related interests of any of the director, officer and/or stockholder of the lending bank/QB; The total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates are subject to the aggregate limits for related party transactions

Total interest income on the DOSRI loans for the years ended 31 December 2023, 2024, and 2025 amounted to ₱1,222, ₱719, and nil, respectively, and for period ended 30 June 2026 amounted to nil for the Bank.

The year-end balances as of 31 December 2023, 2024, 2025, and together with the six-month period ended 30 June 2026 included in the Bank's financial statements are as follows (amounts in ₱ millions):

	2023	2024	2025	30 June 2026
Loans and receivables, net	38,819	52,544	67,662	63,861
Deposit liabilities	59,315	77,725	86,388	75,824

The accrued interest receivable and accrued interest payable for the years ended 31 December 2023, 2024, 2025, and together with the six-month period ended 30 June 2026 included in the Bank's financial statements are as follows (amounts in ₱ millions):

	2023	2024	2025	30 June 2026
Accrued interest receivable	300	341	475	413
Accrued interest payable	127	78	59	28

The effects of the foregoing transactions are shown under the appropriate accounts in the Bank's financial statements.

Other significant related party transactions of the Bank are discussed in Notes 33 and 38 to the Bank's audited financial statements as of and for the years ended (i) 31 December 2025, 2024, 2023; and (ii) together with its reviewed unaudited interim financial statements as of and for the six-month period ended 30 June 2026.

SECTION 14. SHAREHOLDERS

Based on its Public Ownership Report dated 30 June 2026, the Bank has a total outstanding and listed common shares of 1,403,013,920 of which 1,069,552,960 is non-public shares and the remaining 333,460,960 is owned by the public. This results to public float of 23.77%. In the same report, the following are indicated as key shareholders:

Class of Securities	Key Shareholder	Citizenship	Total Direct & Indirect Shares	% of Ownership
Principal/ Substantial Shareholders				
Common	San Miguel Properties, Inc. (SMPI)	Filipino	447,711,800	31.91
Common	San Miguel Corporation Retirement Plan (SMCRP)	Filipino	432,626,860	30.83
Common	Caritas Health Shield, Inc.	Filipino	109,666,640	7.81
Subtotal			**990,005,300**	**70.55**
Affiliates				
Common	SMC Equivest Corporation	Filipino	68,305,560	4.86
Common	BIC Management and Consultancy Inc.	Filipino	1,476,350	0.11
Common	Bank of Commerce - Trust Services Group as Trustee for Bank of Commerce Retirement Plan	Filipino	730,670	0.05
Subtotal			**70,512,580**	**5.01**

14.1 OWNERSHIP OF DIRECTORS AND MANAGEMENT

The following table sets out the shareholding interests of the Bank's directors and senior management as of 30 June 2026:

Director	Total Direct and Indirect Shares
BENEDICTA A. DU-BALADAD	10
MICHELANGELO R. AGUILAR	40,110
ROBERTO C. BENARES	10
RICARDO D. FERNANDEZ	10
MARITO L. PLATON	10
JOSE CARMELO C. NOGRALES	10
MELINDA S. GONZALES-MANTO	83,310
JOSE A. BARCELON	10
FE B. BARIN	10
ALEXANDER R. MAGNO	10
RAFAEL G. AYUSTE, JR.	100
LEONARDO J. MATIGNAS, JR.	100
MARIE JOSEPHINE M. OCAMPO	100
JOSE T. PARDO (Board Advisor)	10

Director	Total Direct and Indirect Shares
AURORA T. CALDERON (Board Advisor)	0
CECILE L. ANG (Board Advisor)	0
Total	**223,910**

Officer	Total Direct and Indirect Shares
MICHELANGELO R. AGUILAR (same as the other table)	0
EVITA C. CABALLA	10
FELIPE MARTIN F. TIMBOL	110,500
MARY ASSUMPTA GAIL C. BAUTISTA	10,100
DON CARLO P. HERNANDEZ	0
MANUEL A. CASTANEDA III	20,100
MARIA ANA P. DELA PAZ	8,100
MA. KATRINA A. FELIX	30,100
LOUELLA P. IRA	8,500
ANTONIO S. LAQUINDANUM (same as the other table)	0
ANNALYN D. DELOS SANTOS	20,100
MELANIE P. SANTOS	0
JOEL O LONGALOG	100
JEREMY H. REYES	5,100
JAY S. VELASCO	8,100
JOSE MARI M. ZERNA	8,100
MARIE SUZANNE SEVILLA	0
FRANCISCO RAYMUND P. GONZALES	20,100
GREGORIO M. YARANON, JR.	0
LUIS MARTIN E. VILLALON	15,600
Total	**264,610**

14.2 VOTING TRUST HOLDERS OF 5% OR MORE

The Bank is not aware of shareholders holding any Voting Trust Agreement for shares constituting 5.0% or more of the outstanding capital stock, or any such similar agreement.

14.3 CHANGE IN CONTROL OF THE REGISTRANT SINCE BEGINNING OF LAST FISCAL YEAR

There has been no change in the control of the Bank since the beginning of its last fiscal year.

SECTION 15. PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Bank. The following discussion is based on the laws, regulations, rulings, income tax treaties, administrative practices and judicial decisions in effect as of the date of this Offering Circular and is subject to any changes in law or regulation occurring after such date, which changes could be made on a retroactive basis. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Bonds or of any person acquiring, selling or otherwise dealing with the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. The following discussion does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own, or dispose of the Bonds.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to invest in the Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates. This discussion does not provide information regarding the tax aspects of acquiring, owning, holding or disposing of the Bonds under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Bonds in such other jurisdictions.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE BONDS, INCLUDING THE EFFECT OF ANY NATIONAL OR LOCAL TAXES, UNDER THE TAX LAWS OR REGULATIONS RELEVANT THERETO THAT MAY BE APPLICABLE IN THE PHILIPPINES OR ANY OTHER COUNTRY OF WHICH THEY MAY BE NATIONALS OR RESIDENTS.

As used herein, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof. A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a non-resident alien engaged in trade or business in the Philippines; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a non-resident alien not engaged in trade or business in the Philippines. A "domestic corporation" is created or organized under the laws of the Philippines; a "resident foreign corporation" is a non-Philippine corporation engaged in trade or business in the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business in the Philippines.

15.1 PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of the Bonds. It is based on the present provisions of the National Internal Revenue Code of 1997, as amended by Republic Act No. 10963 or the TRAIN Law, Republic Act No. 11534 or the CREATE Act, Republic Act No. 11976 or the Ease of Paying Taxes Act, RA No. 12066 or the CREATE MORE, amending provisions of the CREATE Act, and RA No. 12214 or the CMEPA (the "**Tax Code**"), the regulations promulgated thereunder and judicial and ruling authorities in force as of the date of this Offering Circular, all of which are subject to changes occurring after such date, which changes could be made on a retroactive basis.

The CREATE Law was signed into law by then President Duterte on 26 March 2021 and took effect on 11 April 2021 (with effective dates on specific provisions). Other salient provisions of the CREATE Act include:

- uniform tax rate of 15% imposed on capital gains from sale of shares of stock not traded in the stock exchange, on all types of taxpayers
- reduction in corporate income tax from the current 30% to 20% for domestic corporations with net taxable income not exceeding ₱5.0 million pesos and with total assets not exceeding ₱100.0 million pesos, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed, and to 25% for other corporate taxpayers by July 1, 2020;
- reduction in the minimum corporate income tax rate to 1% effective July 1, 2020 until June 30, 2023; after 30 June 2023, the rate of MCIT shall be 2% of the gross income as of the end of the taxable year;
- extension of the applicability of the net operating loss carryover for losses incurred during the first three years from the start of commercial operation by registered projects or activities, from the current three to five consecutive taxable years immediately following the year of such loss;
- Regional Operating Headquarters will be subject to regular corporate income tax rates effective January 1, 2022, increased from the current 10% rate on taxable income;
- Qualified Registered Business Enterprises ("**RBE**") will be granted an income tax holiday for four to seven years, depending on the assigned RBE category level. After the income tax holiday period, a special corporate income tax rate of 5% beginning July 1, 2020 will be imposed on gross income earned in lieu of all national and local taxes. The duration of the special corporate income tax is five to ten years depending on the assigned RBE tier level; and
- in lieu of the special corporate income tax, enhanced deductions may be granted for a period of five to ten years depending on the assigned RBE category level.

On 22 January 2024, Republic Act No. 11976, otherwise known as the Ease of Paying Taxes Act ("**EOPT**") took effect. The EOPT amended various provisions of the Tax Code relating to the filing and payment of taxes and other provisions intended to protect the taxpayer's rights, modernize tax administration, and adopt best practices.

On 8 November 2024, RA No. 12066 or the Corporate Recovery and Tax Incentives for Enterprises to maximize Opportunities for Reinvigorating the Economy ("CREATE MORE") was passed, amending the CREATE Act. CREATE MORE took effect on 28 November 2024. The CREATE MORE establishes a simplified VAT refund system to reduce delays in tax processes. Moreover, the CREATE MORE streamlines processes for projects that are eligible for incentives, by raising the investment capital threshold for approval by investment promotion agencies. CREATE MORE also provides registered business enterprises ("RBEs") with the option to choose between the Special Corporate Income Tax ("SCIT") of 5% of gross income earned from registered projected or activities in lieu of all taxes, including local fees and charges, or the Enhanced Deductions Regime ("EDR") from the commencement of their operations. It also amended Section 32(B) of the Tax Code, which now provides that income of any kind, to the extent required by any treaty obligation, shall not be included in the gross income and shall be exempt from income taxation under the Tax Code. Finally, the CREATE MORE also extends the maximum duration of availment of tax incentives from 17 years to 27 years.

On 29 May 2025, the President of the Philippines signed into law Republic Act No. 12214, or the CMEPA, which took effect on 1 July 2025. Upon signing the law, the President vetoed the following items of the CMEPA in accordance with Article VI, Section 27(2) of the Philippine Constitution:

1. The removal of the tax exemption on non-residents' income from their transactions with FCDUs;
2. Imposition of the documentary stamp tax on bettors in authorized number games; and
3. Repeal of tax exemptions granted to the Philippine Guarantee Corporation.

The CMEPA provides for the following salient terms:

(i) Stock transaction tax on the sale of listed shares was reduced from 0.6% to 0.1% of the gross selling price or the gross value in money of the shares of stock sold, exchanged, or otherwise disposed;

(ii) Capital gains from the sale, exchange or other disposition of unlisted shares, including certain unlisted foreign shares are subject to a tax rate of 15%;

(iii) Employers who contribute an amount equal to or greater than their employees' contributions to a Personal Equity and Retirement Account (PERA), as established under RA No. 9505, are entitled to an additional

tax deduction equal to 50% of their actual contributions, subject to the maximum allowable contribution of ₱100,000.00, or its equivalent in any convertible foreign currency, for local employees;

(iv) A final withholding tax of 20% is imposed on interest income, regardless of the instrument's nature or tenure, except interest income of non-resident aliens not engaged in trade or business and non-resident foreign corporations, whose interest income is still subject to a 25% final withholding tax;

(v) Royalties realized by citizens, resident aliens, non-resident aliens engaged in trade or business in the Philippines, domestic corporations and resident foreign corporations, which were previously included under the same category as interests, are now distinguished separately and subjected to 20% as well, with the exception of royalty payments on books, other literary works, and musical compositions, which are subject to 10%;

(vi) Documentary stamp tax on original issuance of shares was reduced to 0.75%;

(vii) No documentary stamp tax shall be imposed on the original issuance, redemption, or other disposition of shares in mutual funds and unit investment trust funds (UITFs) as applicable, further promoting investment in collective investment schemes; and

(viii) Gains realized from the sale, exchange, or retirement of bonds, debentures, or other certificates of indebtedness, including those with a maturity period of more than five (5) years, are now included in gross income and are generally no longer exempt from income tax and are now subject to the applicable tax treatment under the Tax Code.

15.2 TAXATION OF INTEREST INCOME

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine sourced income subject to Philippine income tax. The tax treatment of interest generally depends on the type of instrument from which the interest arises and whether the class of taxpayer receiving the interest is a resident or a non-resident for Philippine tax purposes.

The Tax Code defines "deposit substitutes" as an alternative form of obtaining funds from the public, other than deposits, through the issuance, endorsement, or acceptance of debt instruments for the borrower's own account, for the purpose of relending or purchasing of receivables and other obligations, or financing their own needs or the needs of their agent or dealer. Obtaining funds from the "public" in this instance means borrowing from twenty (20) or more individual or corporate lenders at any one time. The meaning of "at any one time" with respect to borrowings from twenty (20) or more lenders, would mean every transaction executed in the primary or secondary market in connection with the purchase or sale of securities.

The Bonds may be considered as deposit substitutes issued by Philippine residents with a maturity period of less than five (5) years.

Interest income earned by citizens, resident aliens, nonresident aliens engaged in trade or business in the Philippines, domestic corporations, and resident foreign corporations – as holders of debt instruments arising from borrowing from the public (which for this purpose means more than nineteen lenders), long-term deposits or investment certificates, currency bank deposits, trust funds and similar instruments, such as the Bonds – will be subject to a 20% final withholding tax. Pursuant to the amendments introduced by the CMEPA, regardless of the tenor of the debt instruments, interest income is now subject to a standard rate of final withholding tax (i.e., 20%).

On the other hand, interest income received by non-resident aliens not engaged in trade or business in the Philippines and non-resident foreign corporations shall be subject to a final withholding tax of 25%. The tax withheld constitutes a final settlement of Philippine tax liability in respect of such interest income earned by the non-resident individual not engaged in trade or business and the non-resident foreign corporation within the Philippines. The tax rates for non-residents are subject to the applicable provisions of tax treaties in force between the Philippines and the tax residence country of the non-resident Bondholder.

Interest income received by individuals and corporations is subject to the tax arbitrage rule wherein the allowable deduction of interest expenses paid or incurred on indebtedness is reduced by 20% of the interest income subjected to final tax. However, for corporations subject to the regular corporate income tax rate of 20%, there will be no deduction on the interest expense since there is no difference between the tax rates applicable on the taxable income and on interest income subject to final withholding tax.

The aforementioned final withholding tax rates may be reduced by applicable provisions of tax treaties in force between the Philippines and the tax residence country of the non-resident holder. Most tax treaties to which the Philippines is a party provide for a preferential reduced tax rate of 15% where Philippine sourced interest income is paid to a resident of the other contracting state. However, tax treaties would also normally qualify that the preferential reduced tax rates will not apply if the recipient of the interest income, even if considered a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected to such permanent establishment.

15.3 REDEMPTION OPTION

Under the Terms and Conditions, the Bank may, at its option and subject to applicable regulations, redeem all (but not less than all) of the tranche of the Bonds affected by any Redemption Event on any Interest Payment Date at the Redemption Amount.

Considering that the Redemption Amount is equal to the principal amount of the Redemption Bonds plus interest accrued and unpaid up to but excluding the Redemption Date, no gain or loss shall be recognized upon early redemption and thus, not subject to tax.

15.4 TAX EXEMPT STATUS

The tax authorities have prescribed certain procedures for availment of tax treaty relief on interest under Revenue Memorandum Order No. 14-2021 ("**RMO No. 14-2021**"). The withholding agent/income payor may rely on the submitted BIR Form No. 0901, Tax Residency Certificate ("**TRC**") duly issued by the foreign tax authority, and the relevant provision of the tax treaty on whether to apply the treaty rates. Non-resident taxpayers intending to avail of treaty benefits must submit said documents to the withholding agent/income payor prior to the first payment of income.

If the withholding agent applies the preferential rates under the treaty, it shall file with the International Tax Affairs Division ("**ITAD**") a request for confirmation on the correctness of the withholding tax rates applied on the income. On the other hand, if the regular rates have been imposed on the income, the non-resident shall file a Tax Treaty Relief Application ("**TTRA**") with ITAD to prove its entitlement to the preferential rate. Both the request for confirmation filed by the withholding agent and the TTRA must be supported by the documentary requirements set forth in RMO No. 14-2021.

For claims of tax exemption, BIR Revenue Memorandum Circular No. 8-2014 mandates the Bank, as a withholding agent, to require from individuals and entities claiming tax exemption a copy of a valid, current, and subsisting tax exemption certificate or ruling before payment of the related income. The tax exemption certificate or ruling must explicitly recognize the tax exemption, as well as the corresponding exemption from withholding tax. Failure on the part of the taxpayer to present the said tax exemption certificate of ruling shall subject him to the payment of the appropriate withholding taxes due on the transaction.

The Bondholder must also submit such other documentary requirements as may be reasonably required under the relevant Pricing Supplement, the RPAA or by the Registrar, the Bank and the Selling Agents as proof of the Eligible Holder's tax-exempt status or as may be required under the applicable regulations of the relevant taxing or other authorities. If the Bank withheld taxes, or withheld the regular rate of tax imposed pursuant to the Tax Code on interest, the concerned Bondholder may file a claim for a refund from the BIR on the basis of a tax exemption or applicable tax treaty.

15.5 DOCUMENTARY STAMP TAX

Pursuant to the CMEPA, the original issuance of the Bonds will be subject to documentary stamp taxes at the rate 75% of 1% of the issue price of the Bonds, provided that for such debt instruments with terms of less than one (1) year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to three hundred sixty-five (365) days. The Bank is liable for the payment of the documentary stamp tax on the original issuance of the Bonds. The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted or transferred when the obligation or right arises from Philippine sources, the property is situated in the Philippines, or where the object of the contract is located or used in the Philippines. No documentary stamp tax is imposed on a subsequent sale or disposition of the Bonds if there is no change in the maturity date or remaining term of the Bonds.

15.6 TAXATION ON GAINS UPON THE SALE OR OTHER DISPOSITION OF THE BONDS

15.6.1 Income Tax

Gains realized on the sale, exchange, or retirement of Bonds will form part of the gross income of the sellers, for purposes of computing the relevant taxable income subject to ordinary income tax rates. For the avoidance of doubt, gains realized on the sale, exchange, or retirement of Bonds with a maturity of more than five (5) years are no longer exempt from Philippine income tax and are now included in the computation of a Bondholder's gross income.

Gains derived by individual Bondholders are treated differently depending on whether the investment in Bonds are treated as ordinary or capital asset by the said Bondholders. If the Bonds are considered ordinary assets (i.e., (i) stock in trade of the taxpayer; (ii) other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year; (iii) property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business; (iv) property used in the trade or business, of a character which is subject to the allowance for depreciation provided; or (v) real property used in trade or business of the taxpayer), gains from the sale or disposition of such Bonds are included in the computation of their taxable income, which is subject to the following graduated tax rates for Philippine citizens (whether residents or non-residents), or resident foreign individuals or non-resident aliens engaged in trade or business in the Philippines:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	15% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱22,500 + 20% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱102,500 + 25% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱402,500 + 30% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,202,500 + 35% of the excess over ₱8,000,000

Meanwhile, for non-resident aliens not engaged in trade or business, any gain shall be subject to a 25% final withholding tax.

However, if the Bonds are considered as capital assets (i.e., not part of the ordinary assets enumerated above) of individual Bondholders, the holding period becomes relevant. If the gain is realized by an individual who held the Bonds for a period of more than 12 months prior to the sale, only 50% of the gain will be recognized and included in the computation of taxable income. If the Bonds were held for a period of 12 months or less, 100% of the gain will be included in the computation of the taxable income.

On the other hand, gains or losses derived by domestic or resident foreign corporations from the sale or other disposition of the Bonds are included in the computation of their taxable income which is subject to income tax at the rate of 25% (or 20% for domestic corporations with net taxable income not exceeding ₱5,000,000.00 and

with total assets not exceeding ₱100,000,000.00, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed).

Meanwhile, gains or losses derived by non-resident foreign corporations on the sale or other disposition of the Bonds shall form part of their gross income which is subject to a 25% final withholding tax. Any gains realized by non-residents on the sale of the Bonds may be exempt from Philippine income tax or subject to preferential tax rates under an applicable tax treaty, subject to such other documentary requirements as may be reasonably required under the applicable regulations of the Philippine taxing or other authorities for purposes of claiming tax treaty relief.

Prior to July 1, 2025, gains realized from the retirement of bonds or other certificates of indebtedness with a maturity period of more than five (5) years were excluded from gross income and exempt from income tax. Pursuant to the CMEPA and BIR Revenue Regulations No. 21-2025, such gains are now included in gross income effective July 1, 2025, and are subject to ordinary income tax at the graduated rates applicable to the relevant Bondholder, unless the Bonds are traded through a local or foreign stock exchange, in which case the gains shall instead be subject to stock transaction tax under Section 127 of the Tax Code.

Pursuant to BIR Revenue Regulations No. 21-2025 implementing the CMEPA, any tax exemption or preferential rate applicable to financial instruments, including bonds, issued or transacted prior to July 1, 2025 shall continue to apply at the rate prevailing at the time of issuance for the remaining maturity of the instrument, provided that: (i) the instrument was issued or transacted prior to July 1, 2025, as evidenced by the instrument or other relevant written or electronic agreement; (ii) the instrument or agreement expressly provides for a maturity date beyond July 1, 2025; and (iii) there is no change in the maturity date or remaining coverage period, or renewal or replacement of the original instrument, on or after July 1, 2025. Accordingly, Bondholders who acquired Bonds issued prior to July 1, 2025 under an applicable exemption or preferential rate may continue to avail of such exemption or rate for the remaining tenor of the Bonds, subject to the foregoing conditions. Bonds issued on or after July 1, 2025 shall be subject to the tax rates prescribed under the CMEPA and the Regulations.

15.6.2 Value-Added Tax

Gross receipts derived by dealers in securities from the sale of the Bonds in the Philippines, equivalent to the gross selling price less the acquisition cost of the Bonds sold, shall be subject to value-added tax of 12%.

A "dealer in securities" pertains to a merchant of stock or securities, whether an individual partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers, that is, one who, as a merchant, buys securities and sells them to customers with a view to the gains and profits that may be derived therefrom.

15.6.3 Gross Receipts Tax

Banks and non-bank financial intermediaries performing quasi-banking functions are subject to Gross Receipts Tax ("**GRT**"). "Gross receipts" shall refer to the gross selling price less acquisition cost of the securities sold. For purposes of this section, dealers in securities are merchants of stocks or securities, whether individual, partnership, or corporations, with an established place of business, regularly engaged in the purchase of securities and their resale to customers. GRT shall be imposed at the following rates:

(a) On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is 5 years or less — 5%
Maturity period is more than 5 years — 1%

(b) On dividends and equity shares and net income of subsidiaries — 0%

(c) On royalties, rentals of property, real or personal, profits, from exchange and all other items treated as gross income under the Tax Code — 7%

(d) On net trading gains within the taxable year on foreign currency, debt securities, derivatives, and other similar financial instruments — 7%

Other non-bank financial intermediaries are subject to gross receipts tax at the following rates:

(a) On interest, commissions, discounts and all other items treated as gross income under the Tax Code — 5%

(b) On interests, commissions and discounts from lending activities, as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is 5 years or less — 5%
Maturity period is more than 5 years — 1%.

In case the maturity period is shortened thru pre-termination, the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

15.6.4 Capital Gains Tax

If the Bonds are considered as capital assets and are sold by a seller, who is an individual and who is not a dealer in securities, and has held the Bonds for a period of more than twelve (12) months prior to the sale, only 50% of any capital gain will be recognized and included in the sellers' gross taxable income. On the other hand, if the Bonds were held by an individual for a period of twelve (12) months or less, 100% of the gain will be included in the computation of the taxable income.

15.6.5 Estate and Donor's Taxes

The Bonds will be considered as intangible personal property situated in the Philippines and will form part of the gross estate of any individual Bondholder. As such, the transfer of the Bonds upon the death of an individual Bondholder to their heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine estate tax at a fixed rate of 6% of the net estate. Estate taxation is governed by the statute in force at the time of the death of the decedent and so the tax rate may vary in the future.

Individual and corporate Bondholders, whether or not citizens or residents of the Philippines, who transfer Bonds by way of gift or donation are liable to pay Philippine donor's tax at the fixed rate of 6% based on the total gifts in excess of ₱250,000 made during the calendar year, whether the donor is a stranger or not.

The estate or donors' taxes payable in the Philippines may be credited with the amount of any estate or donors' taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor.

Estate and gift taxes will not be collected in respect of intangible personal property such as the Bonds (i) if the deceased at the time of death, or the donor at the time of donation, was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (ii) if the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allow a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Subject to the qualifications discussed above, in case the Bonds are transferred for less than adequate and full consideration in money or money's worth, the amount by which the fair market value of the Bonds exceeded the value of the consideration may be deemed a gift and donors' taxes may be imposed on the transferor of the Bonds. The transfer of the Bonds made in the ordinary course of business (a transaction which is *bona fide*, at arm's length, and free from any donative intent) is considered as made for an adequate and full consideration in money or money's worth.

15.6.6 Documentary Stamp Taxes

No DST is imposed on the subsequent sale or disposition of the Bonds (unless the transfer constitutes a renewal of the Bonds or if there is a change in the maturity date or remaining period of coverage of the original instrument), or if the Bonds are traded in a secondary market or through an exchange.

15.7 TAXATION OUTSIDE THE PHILIPPINES

The tax treatment of a non-resident holder of any of the Bonds by jurisdiction outside the Philippines will vary depending on the tax laws applicable to such holder by reason of domicile or business activities and may vary depending upon such holder's situation. This Offering Circular does not discuss the tax considerations on such non-resident holders under laws other than those of the Philippines. Each holder of any of the Bonds should consult its own tax adviser as to the particular tax consequences on such holder acquiring, owning and disposing of the Bonds, including the applicability and effect of any state, local, and national laws.

SECTION 16. THE PHILIPPINE BANKING INDUSTRY

This section contains information concerning the banking industry in the Philippines, including certain financial information of certain competitors of the Bank, which is sourced from their respective public filings and which includes certain reviewed unaudited and unreviewed financials. Neither the Bank, the Joint Lead Arrangers and Joint Bookrunners, and Selling Agents, or any of their advisors makes any representation as to the accuracy or completeness of this information. This information has not been independently verified by the Bank, the Joint Lead Arrangers and the Joint Bookrunners, Selling Agents, or any of the advisors and should not be unduly relied on.

The banking industry in the Philippines is composed of universal banks, commercial banks, rural banks, thrift banks (including savings and mortgage banks, private development banks and stock savings and loan associations), cooperative banks, Islamic banks, and digital banks.

According to BSP's Directory of Banks and Non-Bank Financial Institutions, as of 17 August 2026, the commercial banking sector, comprising universal and commercial banks, consisted of 44 banks, of which 22 were universal banks and 22 were commercial banks. Among the 22 commercial banks, 2 are private domestic banks, 2 are foreign bank subsidiaries, and 18 are foreign bank branches. From the 22 universal banks, 13 were private domestic banks, 3 were government banks and 6 were branches of foreign banks.

Commercial banks are organized primarily to accept drafts and to issue letters of credit, discount and negotiate promissory notes, drafts, bills of exchange, and other evidences of indebtedness, receive deposits, buy and sell foreign exchange and gold and silver bullion, and lend money on a secured or unsecured basis. Universal banks are banks that have authority, in addition to commercial banking powers, to exercise the powers of investment houses, to invest in the equity of business not related to banking, and to own up to 100% of the equity in a thrift bank, a rural bank, or a financial allied or non-allied enterprise. A publicly-listed universal or commercial bank may own up to 100% of the voting stock of only one other universal or commercial bank.

Thrift banks primarily accumulate the savings of depositors and invest them, together with capital loans secured by bonds, mortgages in real estate and insured improvements thereon, chattel mortgage, bonds and other forms of security or in loans for personal and household finance, secured or unsecured, or in financing for home building and home development; in readily marketable debt securities; in commercial papers and accounts receivables, drafts, bills of exchange, acceptances or notes arising out of commercial transactions. Thrift banks also provide short-term working capital and medium- and long-term financing for businesses engaged in agriculture, services, industry, and housing as well as other financial and allied services for its chosen market and constituencies, especially for SMEs and individuals. As of 17 August 2026, there were 42 thrift banks (including microfinance-oriented banks).

Rural banks are organized primarily to make credit available and readily accessible in the rural areas on reasonable terms. Loans and advances extended by rural banks are primarily for the purpose of meeting the normal credit needs of farmers and fishermen, as well as the normal credit needs of cooperatives and merchants. As of 17 August 2026, there were 366 rural and cooperative banks.

Specialized government banks are organized to serve a particular purpose. The existing specialized banks are the Development Bank of the Philippines ("**DBP**"), Land Bank of the Philippines ("**LBP**"), and AI-Amanah Islamic Investment Bank of the Philippines ("**AAIIB**"). DBP was organized primarily to provide banking services catering to the medium- and long-term needs of agricultural and industrial enterprises, particularly in rural areas and preferably for small- and medium-sized enterprises. LBP primarily provides financial support in all phases of the Philippines' agrarian reform program. In addition to their special functions, DBP and LBP are allowed to operate as universal banks. AAIIB was organized to promote and accelerate the socio-economic development of the Autonomous Region of Muslim Mindanao through banking, financing and investment operations and to establish

and participate in agricultural, commercial and industrial ventures based on Islamic banking principles and rulings.

During the past decade, the Philippine banking industry has been marked by two (2) major trends – the liberalization of the industry and mergers and consolidation.

Foreign bank entry was liberalized in 1994, enabling foreign banks to invest in up to 60% of the voting stock of an existing bank or a new banking subsidiary, or to establish branches with full banking authority. This led to the establishment of 10 new foreign bank branches in 1995. Republic Act No. 8791 or the General Banking Law of 2000 (the "**General Banking Law**") further liberalized the industry by providing that the Monetary Board may authorize foreign banks to acquire up to 100% of the voting stock of one domestic bank. Under the General Banking Law, any foreign bank, which prior to the effectiveness of the said law availed itself of the privilege to acquire up to 60% of the voting stock of a domestic bank, may further acquire voting shares of such bank to the extent necessary for it to own 100% of the voting stock thereof.

As of 17 August 2026, there are 20 foreign banks operating in the Philippines, 18 of which are operating as branches of foreign banks in the Philippines, and 2 are majority foreign controlled, domestically incorporated subsidiaries. Under RA 10641 and BSP Circular No. 858, Series of 2014 dated 21 November 2014 which amended the relevant provisions of the MORB implementing RA 10641, established, reputable and financially sound foreign banks may be authorized by the Monetary Board to operate in the Philippine banking system through any one of the following modes of entry: (a) by acquiring, purchasing or owning up to 100% of the voting stock of an existing domestic bank (including banks under receivership or liquidation, provided no final court liquidation order has been issued); (b) by investing in up to 100% of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches and sub-branches with full banking authority. The foreign bank applicant must also be widely-owned and publicly-listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. Such established subsidiaries and branches of foreign banks shall be allowed to perform the same functions and enjoy the same privileges of, and be subject to the same limitations imposed upon, a Philippine bank of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

The liberalization of foreign ownership regulations in banks has allowed the emergence of foreign and local banks with foreign ownership in the market. This has led to Sumitomo Mitsui Banking Corporation, Cathay United Bank, Industrial Bank of Korea, Shinhan Bank, Yuanta Bank, United Overseas Bank and Hua Nan Commercial Bank being granted new licenses, and also equity investments by Bank of Tokyo-Mitsubishi UFJ into Security Bank, Cathay Life into Rizal Commercial Banking Corporation and Woori Bank into Wealth Development Bank.

The BSP has also been encouraging mergers and consolidations in the banking industry, seeing this as a means to create stronger and more globally competitive banking institutions. To encourage this trend, the BSP offered various incentives to merging or consolidating banks. Based on BSP data, since the new package of incentives took effect in September 1998, there have been at least 49 mergers, acquisitions, and consolidations of banks. However, while recent mergers increased market concentrations, BSP studies showed that they were not enough to pose a threat to the overall competition levels since market share remained relatively well dispersed among the remaining players.

Pursuant to the liberalization, and to the mergers and consolidation trend, the BSP issued Circular No. 902, Series of 2016 dated 15 February 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks. As provided in the Circular "the suspension of the grant of new banking licenses or the establishment of new banks under the MORB is lifted under a two-phased approach. Under Phase 1 of the liberalisation, the grant of new universal/commercial banking license shall be allowed in connection

with the upgrading of an existing domestic thrift bank. Under Phase 2, the moratorium on the establishment of new domestic banks shall be fully lifted and locational restrictions shall be fully liberalized starting 1 January 2018."

The following table sets out a comparison, based on publicly available data, of the five largest Philippine universal and commercial banks in terms of assets:

Name	Total Capital[1]	Total Assets[2]	Total Deposits[2]	No. of Branches[3]
BDO Unibank, Inc.	627,550.43	5,077,701.12	3,980,920	1,994
Bank of the Philippine Islands	471,298.56	3,474,798.48	2,612,443.24	1,315
Land Bank of the Philippines	268,533.26	3,453,468.75	3,065,080.70	615[4]
Metropolitan Bank & Trust Company	396,492.68	3,343,254.41	2,195,847.13	960[5]
China Banking Corporation	171,573.35	1,906,159.19	1,230,587.16	653

Notes:
(1) Financial data taken from each bank's published balance sheet as of 30 September 2025.
(2) Financial data taken from each bank's published balance sheet as of 30 September 2025.
(3) From PSE as of 31 December 2025.
(4) From a news article published on gmanetwork.com on 4 March 2026
(5) From PSE as of 31 December 2024

According to the results of the Senior Bank Loan Officers' Survey conducted by BSP, most of the respondent banks, generally maintained overall lending standards for commercial real estate loans in Q4 2025. The diffusion index approach indicated a net tightening of overall credit standards for commercial real estate loans. The tighter overall credit standards for commercial real estate loans reflected respondent banks' wider loan margins, reduced credit line sizes, stricter collateral requirements and loan covenants, increased use of interest rate floors, and shorter loan maturities.

The BSP issued Circular No. 839 Series of 2014 dated 27 June 2014 which adopts a prudential real estate stress test ("**REST**") limit for U/KBs, TBs on a solo and consolidated basis on their aggregate real estate exposures. The REST limit combines macro prudential overlay of a severe stress test scenario, the principle of loss absorbency through minimum capital ratio thresholds and heightened supervisory response.

The prudential REST limits which shall be complied with at all times by UBs/KBs are 6% of CET1 capital ratio and 10% of risk-based capital adequacy ratio, on a solo and consolidated basis, under the prescribed write-off rate. For TBs, the prudential REST limits which shall be complied with at all times are 6% of CET1 capital, for TBs that are subsidiaries of UBs/KBs, 6% of Tier 1 capital, for stand-alone TBs, and 10% of risk-based capital adequacy ratio for all TBs.

On 29 October 2014, the BSP issued Circular No. 854, which increased the minimum capital requirement for all bank categories: universal, commercial, thrift, rural, and cooperative banks to strengthen the banking system. Below are the amended minimum capital requirements for banks.

Bank Category/Network Size	Existing Minimum Capitalisation (₱)	Reviewed Minimum Capitalisation (₱)
Universal Banks	4.95 billion**	
Head Office only		3.00 billion
Up to 10 branches *		6.00 billion
11 to 100 branches*		15.00 billion
More than 100 branches*		20.00 billion
Commercial Banks	2.40 billion**	
Head Office only		2.00 billion
Up to 10 branches*		4.00 billion
11 to 100 branches*		10.00 billion
More than 100 branches*		15.00 billion
Thrift Banks		
Head Office in:		
Metro Manila	1.00 billion**	
Cebu and Davao cities	500 million**	
Other Areas	250 million**	
Head Office in the National Capital Region (NCR)		500 million
Head Office only		750 million
Up to 10 branches*		1.00 billion
11 to 50 branches*		2.00 billion
More than 50 branches*		
Head Office in All Other Areas Outside NCR		
Head Office only		200 million
Up to 10 branches*		300 million
11 to 50 branches*		400 million
More than 50 branches*		800 million
Rural and Cooperative Banks		
Head Office in:		
Metro Manila	100 million**	
Cebu and Davao cities	50 million**	
Other cities	25 million**	
1st to 4th class municipalities	10 million**	
5th to 6th class municipalities	5 million**	
Head Office in NCR		
Head Office only		50 million
Up to 10 branches*		75 million
11 to 50 branches*		

Bank Category/Network Size	Existing Minimum Capitalisation (₱)	Reviewed Minimum Capitalisation (₱)
More than 50 branches*		100 million 200 million
Head Office in All Other Areas Outside NCR (All Cities up to 3rd Class Municipalities) Head Office only Up to 10 branches* 11 to 50 branches* More than 50 branches*		 20 million 30 million 40 million 80 million
Head Office in All Other Areas Outside NCR (4th to 6th Class Municipalities) Head Office only Up to 10 branches* 11 to 50 branches* More than 50 branches*		 10 million 15 million 20 million 40 million

* Inclusive of Head Office

** With no distinction for network size

On 29 October 2014, the BSP issued Circular No. 854 to effect the foregoing amendment to the minimum capital requirement. The amendment became effective in November 2014.

On 2 December 2020, the BSP issued Circular No. 1105 which laid down the guidelines in establishing "digital banks." In line with this, the BSP set the minimum capitalization of digital banks to ₱1 billion.

16.1 COMPETITION

The Bank faces competition from both domestic and foreign banks, in part, as a result of the liberalization of the banking industry by the Government. Since 1994, a number of foreign banks, which have greater financial resources than the Bank, have been granted licenses to operate in the Philippines. Such foreign banks have generally focused their operations on the larger corporations and selected consumer finance products, such as credit cards. The foreign banks have not only increased competition in the corporate market, but have as a result caused more domestic banks to focus on the commercial middle-market, placing pressure on margins in both markets. On 21 January 2016, the Monetary Board approved the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks. The moratorium on the establishment of new domestic banks and locational restrictions was fully liberalized effective 1 January 2018.

Since September 1998, the BSP has been encouraging consolidation among banks in order to strengthen the Philippine banking system. Mergers and consolidation result in greater competition, as a smaller group of "top tier" banks compete for business.

As of 31 March 2022, universal and commercial banks (including unlisted banks such as Land Bank of the Philippines and the DBP) account for approximately 94.0% of total resources and 94.0% of total deposits of the Philippine banking system based on their published balance sheets.

Certain factors arising from the 1997 Asian crisis and the 2008 global financial crisis also resulted in greater competition and exert downward pressure on margins. Banks instituted more restrictive lending policies as they focused on asset quality and reduction of their NPLs, which resulted in increasing liquidity. As Philippine economic growth further accelerates and banks apply such liquidity in the lending market, greater competition for corporate, commercial and consumer loans is expected. As of 30 September 2020, the ten (10) largest commercial banks (including unlisted banks such as Land Bank of the Philippines and DBP) account for approximately 85% of the net customer loan portfolio of the Philippine banking system, based on published statements of condition.

Republic Act No. 10667, or the Philippine Competition Act was signed into law on 21 July 2015 and took effect on 8 August 2015. The Philippine Competition Act was enacted to provide free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the Philippine Competition Act provides for the creation of a Philippine Competition Commission (the "**PCC**"), an independent quasi-judicial agency with five (5) commissioners. Among its powers are to: conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court.

The Philippine Competition Act prohibits anti-competitive agreements between or among competitions, and mergers and acquisitions which have the object or effect of substantially preventing, restricting, or lessening competition. It also prohibits practices which involve abuse of dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions.

Under the implementing rules and regulations of the Philippine Competition Act ("**PCA IRR**") issued by the PCC on 3 June 2016 (as amended or supplemented to date), as a general rule, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceed ₱1 billion ("**Size of Party**" or generally, *"the value of assets and revenues in, into or from the Philippines of the ultimate parent entity of any of the parties and all entities it controls"*); and (b) the value of the transaction exceeds ₱3.5 billion ("**Size of the Transaction**" or generally *"the value of assets and revenues in, into, or from the Philippines of the acquired entity*"), in each case, as determined in accordance with the PCA IRR and other relevant issuance of the PCC. Similarly, the parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱8.5 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱3.5 billion. The thresholds are adjusted on the 1st day of March of every year the PCC based on the Philippine Statistics Authority's official estimate of the nominal gross domestic product growth of the previous calendar year. On 26 February 2026, the PCC issued Commission Resolution No. 02-2026 which adjusted the notification thresholds, with the Size of Party threshold adjusted to ₱9.1 billion and the Size of the Transaction was set to ₱3.8 billion, effective 01 March 2026.

Violations of the Philippine Competition Act and its IRR have severe consequences. Under the Philippine Competition Act and the IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of one percent (1%) to five percent (5%) of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50 million but not more than ₱250 million; and (ii) imprisonment for two (2) to seven (7) years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On 15 September 2017, the PCC published the 2017 Rules of Procedure ("**PCC Rules**") which apply to investigations, hearings, and proceedings of the PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary inquiry and full administrative investigations by the PCC. The PCC Rules also include non-adversarial remedies such as the issuance of binding rulings, show cause orders, and consent orders.

On 23 November 2017, the PCC published the 2017 Rules on Merger Procedure ("**Merger Rules**") which provides the procedure for the review or investigation of mergers and acquisition pursuant to the Philippine Competition Act. The Merger Rules provides, among others, that parties to a merger that meets the thresholds in Section 3 of Rule 4 of the IRR are required to notify the PCC within thirty (30) days from signing of definitive agreements relating to the merger. This was further supplemented by the 2019 Rules on Expedited Merger Review approved on 28 May 2019 which applies to mergers and acquisitions qualified for expedited review.

Transactions that may qualify for expedited review include the following (i) when there are no actual or potential horizontal or vertical relationships in the Philippines between acquiring entity, including its notifying group, and the acquired entity and the entities it controls; (ii) when the merger is a global transaction where the acquiring and acquired entities identified in the definitive agreement are foreign entities ("**Foreign Parents**"), and their subsidiaries in the Philippines act merely as manufacturers or assemblers of products with at least 95% of such products exported to the foreign parents, subsidiaries, affiliates or third parties located in the Philippines: Provided, that the remaining 5% product sales in a market in the Philippines is minimal in relation to the entirety of such Philippine product market: (iii) when the candidate relevant geographic market of the merger is global and the acquiring and acquired entities have negligible or limited presence in the Philippines; (iv) when the joint ventures, whether incorporated or not, formed purely for the construction and development or a residential and/or commercial real estate development project. On 25 May 2021, the PCC published the Interim Guidelines during Period of Community Quarantine (the "**Interim Guidelines**") which suspended the acceptance of expedited review notification forms during all periods of community quarantine. The Interim Guidelines are still effective at present.

16.2 CERTAIN GOVERNMENT POLICIES AND REGULATIONS IN RELATION TO THE PHILIPPINE BANKING SYSTEM

The Philippine banking industry is highly regulated by the BSP and operates within a framework that includes requirements on capital adequacy, corporate governance, management, anti-money laundering and provisioning for NPLs. The BSP can alter any of these requirements and can introduce new regulations to control any particular line of business. Certain policies that the Bank believes could affect its results of operations include the following:

- *Implementation of Basel III Framework on Liquidity Standards.* On 10 March 2016, the BSP issued Circular No. 905 which provided guidelines for the implementation of Basel III framework (which was recently amended by BSP Circular No. 1035) on Liquidity Standards as it relates to Liquidity Coverage Ratio ("**LCR**") and Disclosure Standards. The amendments introduced by BSP Circular No. 1035 provide enhancements to the LCR and MLR guidelines. In the LCR framework, the previous treatment of reporting expected cash flows for each derivative contract in gross amounts has been revised. Under the new policy, cash inflows and outflows from each derivatives contract shall now be recognized on a net basis consistent with valuation methodologies for derivatives contracts and the Basel III LCR framework. Likewise, the method for computing the MLR was revised. The revised MLR computation converges with the LCR framework as interbank placements are now counted as eligible liquid assets.

  The Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. Beginning on 1 January 2018, the LCR threshold that banks will be required to meet will be 90%, which will be increased to 100% commencing on 1 January 2019. The observation period for LCR requirement for the subsidiary banks/quasi banks of universal and commercial banks was recently extended to 31 December 2019 by BSP Circular 1035 (Amendments to the

Basel III Framework on Liquidity Coverage Ratio Framework and Minimum Liquidity Ratio Framework), during which the LCR floor of 70% will be applied. Likewise, the observation period for NSFR for the subsidiary banks/quasi banks of universal and commercial banks was recently extended to 31 December 2019 by BSP Circular 1034 (Amendments to the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio), during which the NSFR floor of 70% will be applied. The internationally agreed start date for the phase-in of liquidity requirements is 1 January 2015. On 3 November 2017, the BSP issued BSP Circular No. 981 which amended the guidelines on liquidity risk management. The banks have until 1 September 2018 to develop or make appropriate changes to their policies and procedures, provided that banks complete a gap analysis of the requirements in Circular No. 981 vis-à-vis their existing risk management systems by 31 March 2018, the result of such gap analysis shall be documented and made available for review of the BSP.

- *Implementation of Basel III Framework for Dealing with Domestic Systemically Important Banks.* On 29 October 2014, the BSP issued Circular No. 856 which provided the guidelines for implementing the Framework for dealing with D-SIBs under Basel III. Recent enhanced guidelines in the assessment methodology of D-SIBS was introduced by Circular No. 1051 issued on 27 September 2019. Banks deemed as D-SIBs by the BSP will be imposed with capital surcharge to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the D-SIBs fail. To determine the banks' systemic importance, the BSP will assess and assign weights using the indicator-based measurement approach based on the following: size, interconnectedness, substitutability, and complexity. Depending on how they score against these indicators and the buckets to which the scores correspond, the D-SIBs will have varying levels of additional loss absorbency requirements ranging from 1.0% to 2.5%. Aside from the added capital pressure, D-SIBs may be put at an undue disadvantage compared to G-SIBs (or Global Systemically Important Banks) given that this framework was patterned for regional/global banks and which may not thus be appropriate for local banks. The phased-in compliance started on 1 January 2017 and had become fully effective on 1 January 2019.

- *Regulations Governing the Derivatives Activities of Banks.* In line with the policy of the BSP to support the development of the Philippine financial market by providing banks and their clients with expanded opportunities for financial risk management and investment diversification through the prudent use of derivatives, Circular No. 594 was issued by the BSP in January 2008 amending the existing regulations governing the derivatives activities of banks. Furthermore, Circular No. 688 issued by the BSP in May 2010 prescribes guidelines on the determination of the credit risk weighted assets for banks that will engage in derivatives activities as end-users for hedging purposes and/or under limited-use authority. In February 2017, BSP issued Memorandum No. M-2017-004 advising all banks and QBs that cross-border derivative transactions involving non-centrally cleared derivatives shall be subject to margin requirements pursuant to the policy framework adopted by the Basel Committee on Banking Supervision and the International Organisation of Securities Commissions. The framework requires all covered entities that engage in non-centrally cleared derivatives to exchange initial and variation margins. Assets collected as collateral for margin purposes should be highly liquid and should, after the application of an appropriate haircut, be able to hold their value in time of stress. Variation margin requirements are being phased in from 1 September 2016 to 1 March 2017 while initial margin requirements are being phased in from 1 September 2017 to 1 September 2020. As an initial step, banks and QBs should make a determination of the transactions that will be subject to margin requirements implemented in other jurisdictions and assess whether they will be able to comply with the margin requirements implemented in other jurisdictions and assess whether they will be able to comply with the pertinent legal and operational arrangements. The Bank expects increased competition in the swaps and other derivative transactions allowed under the regulations. The Bank has already obtained its limited

dealer authority for Foreign Exchange Forwards (including non-deliverables), Foreign Exchange Swaps, Interest Rate Swaps, Cross Currency Swaps, Asset Swaps, Forward Rate Agreements, European Vanilla Foreign Exchange Options and Credit Default Swaps. Meanwhile, there are currently no changes in the application process. In addition, under the BSP Circular 1194 (issued on 29 May 2024), which amended Section 613 of the MORB, a bank may generally engage in derivatives activities without need of prior BSP approval. However, banks shall notify the BSP prior to engaging in any of the following derivative instruments:

- Any variant of a stand-alone derivative (i) which a UB or KB is allowed to transact in as part of its generally authorized derivatives activities as dealer; (ii) for which a bank has an existing type 2 or type 3 additional derivatives authority; (iii) which a trust department of a UB or KB is allowed to transact in as part of its generally authorized derivatives activities: or (iv) for which a trust department has an existing type 3 additional derivatives authority.
- A structure or combination of in two or more separate stand-alone derivatives contracts, or (ii) stand-alone derivatives contract/s and a plain vanilla cash instrument, where the instruments are offered or distributed together. and where (all of) the derivative(s) is (are) either part of a UB/KB's generally authorized derivatives activities as dealer or a bank's existing type 2 or type 3 additional derivatives authority, or part of a trust department's generally authorized derivatives activities or its existing type 3 additional derivatives authority; and
- A structured product where the embedded derivative/s differs from that of the product approved under a bank's existing type 2, type 3, or type 4 additional derivatives authority or a trust department's existing type 3 additional derivatives authority.

- *Amendments to unit investment trust fund ("**UITF**") Regulations*. In September 2004, the BSP issued Circular No. 447 which provided guidelines for the launching and offering of new products to be known as UITFs, and was intended to completely phase out common trust funds or convert them into UITFs within two years from the date of the circular. UITFs are open-ended pooled trust funds denominated in any acceptable currency that are to be operated and administered by trust entities. Eligible assets of UITFs include bank deposits, securities issued by or guaranteed by the Government or the BSP, tradable securities issued by the government of a foreign country, exchange listed securities, marketable instruments that are traded in an organized exchange, loans traded in an organized market, loans arising from repo agreements which are transacted through an exchange recognized by the Philippine SEC and such other tradable investments outlets/categories as the BSP may allow. These assets are subject to mark-to-market valuation on a daily basis. The stated objective of the BSP is to align the operation of pooled funds with international best practices and enhance the credibility of pooled funds to investors. In January 2008, the BSP issued Circular No. 593 to improve risk disclosure on investing in UITFs, by requiring banks to conduct a client suitability assessment to profile the risk-return orientation and suitability of the client to the specific type of UITF that he wants to participate in, and to update the client's profile at least every three years. The Bank has joined with the BSP in this endeavor to guide clients in choosing investment outlets that are best suited to their objectives, risk tolerance, preferences and experience. In September 2012, the BSP issued Circular No. 767 to include investments by UITFs in units/ shares in collective investment schemes as an allowable investment and recognizing UITF structures such as feeder funds and fund-of-funds. On 21 October 2014, the BSP issued Circular 852, amending the UITF Regulations. Through this circular, the BSP strengthened the disclosure requirements for UITFs by prescribing the use of the Key Information and Investment Disclosure Statement and online posting of UITF information via a website. On 10 March 2016, the BSP issued Circular 907 to amend certain exposure limits, and allowable investment and valuation on UITFs invested in feeder fund and fund-of-funds. UITF investments shall only be limited to bank deposits and collective investment schemes (e.g., target fund, exchange-traded funds), subject to such target

fund not being structured or similarly structured as a feeder fund or a fund-of-funds. To ensure the competence and integrity of all duly designated UITF marketing personnel, BSP Circular No. 1018 issued on 26 October 2018 required all personnel involved in the sales of UITF must be certified as a UITF Marketing Personnel through a UITF Certification Program (UCP) administered by a reputable financial services industry association /organization. On 20 May 2026, the BSP issued Circular 1234 to amend the single-entity/issuer exposure limit from 15% to 20%, applicable to UITFs that are partially or substantially invested in exchange-traded equity securities. The BSP imposed a requirement for breaches of any UITF exposure limit to be reported to the BSP by the following banking/business day.

- *Limit on Real Estate Loans of Universal Banks.* In February 2008, the BSP issued Circular No. 600 removing interbank loans from the total loan base to be used in computing the aggregate limit on real estate loans, and amending the inclusions and exclusions to be observed in the computation. On 10 October 2017, the BSP issued Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans. On 20 August 2020, the BSP issued Circular No 1093 which amended the real estate loan limit of universal banks to 25% of the total loan portfolio, net of interbank loans.

- *Exemption of Paired ROP Warrants from Capital Charge for Market Risk.* In connection with the Government's Paired Warrants Program, the BSP issued Circular No. 605 in March 2008 exempting warrants paired with ROP Global Bonds from capital charge for market risk to the extent of a bank's holdings of bonds paired with warrants equivalent to not more than 50.0% of total qualifying capital. The Bank holds such investments which give it additional flexibility for capital deployment.

- *Guidelines on Securities Borrowing and Lending Transactions.* Guidelines by the PSE on securities borrowing and lending ("**SBL**") govern SBL transactions between local/foreign borrowers and local/foreign lenders. BSP Circular No. 611, Series of 2008, provides guidelines on SBL transactions in the PSE involving borrowings by foreign entities of PSE-listed shares from local investors/lenders. In May 2008, the BSP Monetary Board authorized the issuance of BSP Registration Documents to cover the PSE-listed shares of stock borrowed by foreign entities from local investors and lenders. This will allow foreign borrowers to purchase foreign exchange from the banking system for remittance abroad using the Peso sales proceeds of the borrowed shares including the related income from the SBL transaction, such as rebates or shares in the income earned on the reinvestment of the cash collateral, interest and dividends earned on the Peso denominated government securities and PSE-listed shares used as collateral.

- *Mandatory Adoption of PFRS Accounting Standards 9: Financial Instruments.* The adoption of PFRS Accounting Standards in the recording transactions and preparation of financial statement ensures consistency of application and comparability of financial reports across the industry. Effective 1 January 2018, BSP-supervised financial institutions are required to adopt as part of PFRS Accounting Standards framework, PFRS Accounting Standards 9: Financial Instruments. As such, banks shall classify and measure financial assets and financial liabilities, including those which are designated as hedged items, in accordance with the provisions of PFRS Accounting Standards 9. Financial assets should be classified based on their contractual cash flow characteristics and the business model for holding such instruments. Financial liabilities should be classified and subsequently measured at amortized cost using effective interest method except for certain financial liabilities measured at fair value through profit and lost. The enabling circular, Circular No. 1011 requires banks to determine the business model or the manner by which a portfolio of financial assets will be managed to generate cash flows such as by collecting contractual cash flows or by both collecting contractual cash flows and selling the financial assets, among others, based on scenarios that are reasonably expected to occur, taking

into consideration the expected changes to asset allocations or to balance sheet structure as a result of business strategies.

- *Taxes*. In addition, banks are subject to certain tax rules specific to Financial Institutions. On 19 December 2017, the President signed into law package 1 of the TRAIN bill which became effective on 1 January 2018. The law contains amendments to several provisions of the Tax Code on individual income taxation, passive income for both individuals and corporations, estate tax, donor's tax, VAT, excise tax, and DST, among others. On 26 March 2021, the President likewise signed into law Republic Act No. 11534 or the CREATE Act which introduces reforms to the corporate income taxation and incentive systems. The government continues to establish some changes in the comprehensive tax reform program of the country. Any further changes in the regulatory or tax environment as pertaining to the Philippine banking industry could have a material impact on the Bank's results of operations and financial position. An example of these developments include the CMEPA, which removed preferential tax rates and exemptions for long-term deposits or investments in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts, and other investments with a maturity period of not less than five (5) years. Similarly, CMEPA removed the exemption of gains realized by individual or corporate Bondholders on the sale or exchange or retirement of Bonds with a maturity of more than five (5) years. Such gain is now included in the computation of a Bondholder's gross income.

- *Adjustment of Reserve Requirements of Peso Deposits Liabilities and Deposit Substitutes Liabilities.* The current year, saw the relaxation of the reserve requirements to be maintained by banks for its deposit liabilities. From as high as 20% under BSP Circular No. 732 (2011), as further amended by BSP Circular No. 753 (2012), BSP Circular No. 830 (2014),BSP Circular No. 832 (2014), BSP Circular No. 983 (2017), recent issuances such as BSP Circular No. 1041 (issued in May 2019), Circular Nos. 1054 &1056 (issued in October 2019), Circular 1063 (issued in December 2019), Circular 1082 & 1092 (issued in March & July 2020), Circular 1175 (issued June 23, 2023), Circular No. 1201 (issued in September 20, 2024), Circular No. 1211 (issued in March 11, 2025) , and Circular No. 1229 (issued in February 11, 2026) lowered the regular reserves. Currently, universal and commercial banks are required to maintain: (a) 5% against demand deposits, negotiable order of withdrawal (NOW) accounts, savings deposit, time deposit and deposit substitutes, Peso deposits lodged under due to foreign banks, Peso deposits lodged under due to head office/branches/agencies abroad (Philippine branch of a foreign bank); and (b) 04% against long-term negotiable certificates of time deposits; and (c) 2% against bonds.

- *Rules and Regulations on the Mandatory Allocation for Agriculture, Fisheries, and Rural Development Financing.* In November 2022, the BSP issued Circular No. 1174 as a component of the Implementing Rules and Regulations of the Republic Act No. 111901 or the Agriculture, Fisheries, and Rural Development Financing Act of 2022. Aside from retaining the mandatory credit allocation, it also rationalizes the modes of compliance. In addition to direct compliance through loans to qualified borrowers, a list of alternative modes of compliance mechanisms are also provided.

- *Regulations on Financial Consumer Protection to lmplement Republic Act No. 11765, otherwise known as the "Financial Products and Services Consumer Protection Act".* In November 2022, the BSP issued Circular No. 1160 to ensure that appropriate mechanisms are in place to protect the interest of consumers of financial products and services under the conditions of transparency, fair and sound market conduct and effective handling of Financial Consumer disputes, aligned with global best practices. The Circular mandated BSP-supervised institutions, such as banks, to ensure full compliance with the Consumer Protection Standards of Conduct on the Protection of Consumer Assets Against Fraud and Misuse. Relevant provisions under the Circular include (a) guidelines on the protection of consumer assets against fraud and misuse, (b) procedures for claims assessment and investigation; (c) creation of

reporting channels; (d) procedure in facilitating complaints on unauthorized transactions; and (e) determination of liability for losses arising from unauthorized transactions.

- *Regulations on Electronic Money (E-money) and the operations of Electronic Money lssuers*. In February 2023, the BSP issued Circular No. 1166 introducing amendments to Section 702 of the MORB on Issuance and Operations of E-Money to enable BSP-supervised institutions to adopt risk management systems commensurate to their size, risk profile, complexity of operations, and systemic importance and to provide financial services attuned to the evolving needs and behavior of consumers supported by safeguards and controls to ensure that risks remain within manageable levels. In the same circular, the term "e-money" is defined as "an electronically-stored monetary value that is: (a) maintained in a non-interest-bearing non-deposit transaction account; (b) denominated in or pegged to Philippine Peso or other foreign currencies; (c) pre-funded by customers to enable payment transactions; (d) accepted as a means of payment by the issuer and by other persons or entities including merchants/sellers; (e) issued against receipt of funds of an amount equal to the monetary value issued; (f) represented by a claim on its issuer; and (g) withdrawable in cash or cash equivalent or transferable to other accounts/instruments that are withdrawable in cash. Banks may offer E- money services subject to prior approval of the BSP.
- *Rules on Consumer Assistance Mechanism*. In March 2023, the BSP issued Circular No. 1169 which provided for the Rules of Procedure for the Consumer Assistance Mechanism, Mediation and Adjudication of Cases in the BSP pursuant to the mandate of Republic Act No. 11765 or the Financial Products and Services Consumer Protection Act. The Circular mandates *Bangko Sentral*-Supervised Institutions' Financial Consumer Protection Assistance Mechanism ("**FCPAM**") as the first-level recourse mechanism for financial consumers who are dissatisfied with a financial product or service. Complainants are required to report their concern to the bank involved through its FCPAM.

SECTION 17. BANKING REGULATION AND SUPERVISION

17.1 INTRODUCTION

Republic Act No. 7653 or the New Central Bank Act of 1993 (the "**New Central Bank Act**"), as amended by Republic Act No. 11211, and Republic Act No. 8791 or the General Banking Law of 2000 vest the Monetary Board of the BSP with the power to supervise the operations of banks such as universal banks, commercial banks, thrift banks (composed of savings and mortgage banks, stock savings and loan associations, and private development banks), rural banks, co-operative banks as well as branches and agencies of foreign banks in the Philippines. The BSP also exercises regulatory and examination powers over the quasi-banking operations of non-bank financial institutions and as may be determined by the Monetary Board, it shall likewise exercise regulatory and examination powers over money service businesses, credit granting businesses, and payment system operators. Entities performing quasi-banking functions, trust companies, building and loan associations, non-stock savings and loan associations and other non-deposit accepting entities, while not considered banking institutions, are also subject to regulation by the Monetary Board of the BSP. Based on R.A. 11211, money service business, credit granting businesses, and payment system operators are now also under the supervision of the BSP.

The supervisory power of the BSP under the New Central Bank Act, as amended, extends to the subsidiaries and affiliates of banks and QBs engaged in allied activities. A subsidiary is defined as a corporation with more than 50% of its voting stock owned by a bank or QB. An affiliate is defined as a corporation whose voting stock, to the extent of 50% or less is owned by a bank or QB or which is related or linked or such other factors as determined by the Monetary Board. In this regard, an affiliate is defined under the MORB as an entity linked directly or indirectly to a bank by means of: (a) ownership, control (as defined under the relevant portion of the Manual), or power to vote, of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa; (b) interlocking directorship or officership, where the concerned director or officer owns, controls, or has the power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity; (c) common stockholders owning at least ten percent (10%) of the outstanding voting stock of the bank and at least twenty percent (20%) of the outstanding voting stock of the entity; (d) management contract or any arrangement granting power to the bank to direct or cause the direction of management and policies of the entity; and (e) permanent proxy or voting trusts in favor of the bank constituting at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa.

The supervisory power of the BSP under the New Central Bank Act extends to the subsidiaries and affiliates of banks and QBs engaged in allied activities. A subsidiary is defined as a corporation with more than 50% of its voting stock (directly or indirectly) owned, controlled or held with power to vote by a bank or quasi-bank. An affiliate is defined as a corporation whose voting stock, to the extent of 50% or less is owned by a bank or QB or which is related or linked (directly or indirectly) to such institution or intermediary through common stockholders or such other factors as determined by the Monetary Board.

The power of supervision of the BSP under the General Banking Law includes the issuance of rules of conduct or standards of operation for uniform application, conduct examination to determine compliance with laws and regulations, to oversee compliance with such rules and regulations and inquire into the solvency and liquidity of the covered entities. Section 7 of the General Banking Law provides that the BSP in examining a bank shall have the authority to examine an enterprise which is owned or majority-owned or controlled by a bank. Section 28 of the New Central Bank Act provides that there shall be an interval of at least 12 months between regular examinations. A vote of at least five members of the Monetary Board may authorise a special examination.

As a general rule, no restraining order or injunction may be issued by a court to enjoin the BSP from exercising its powers to examine any institution subject to its supervision. The BSP may compel any officer, owner, agent, manager or officer-in-charge of an institution subject to its supervision or examination to present books, documents, papers or records necessary in its judgment to ascertain the facts relative to the true condition of the institution as well as the books and records of persons and entities relative to or in connection with the operations, activities or transactions of the institution under examination, to the extent permitted by law. The refusal of any

officer, owner, agent, manager, director or officer-in-charge of an institution subject to the supervision or examination of the BSP to make a report or permit an examination is criminally punishable under Section 34 of the New Central Bank Act. In addition to the general laws such as the General Banking Law and Republic Act No. 9160 or the AMLA, as amended, among others, banks must likewise comply with letters, circulars and memoranda issued by the BSP some of which are contained in the MORB.

The MORB is the principal source of rules and regulations to be complied with and observed by banks in the Philippines. The MORB contains regulations that include those relating to the organization, management and administration, deposit and borrowing operations, loans, investments and special financing program, and trust and other fiduciary functions of the relevant bank. Supplementing the MORB are rules and regulations promulgated in various circulars, memoranda, letters, and other directives issued by the Monetary Board.

The Financial Supervision Sector (FSS) of the BSP is primarily responsible for the regulation of banks and other BSP-supervised financial institutions (BSFIs). It also exercises oversight and supervision of financial technology and the operations of payment systems. The FSS is responsible for ensuring the observance of applicable laws and rules and regulations by banking institutions operating in the Philippines (including Government credit institutions, their subsidiaries and affiliates, non-bank financial intermediaries, and subsidiaries and affiliates of non-bank financial intermediaries performing quasi-banking functions, non-bank financial intermediaries performing trust and other fiduciary activities under the General Banking Law, non-stock and savings loans associations under Republic Act No. 3779 or the Savings and Loan Association Act, and pawnshops under Presidential Decree No. 114 or the Pawnshop Regulation Act).

17.1.1 BSP Circulars and Memoranda

In response to the COVID-19 pandemic, the Bangko Sentral ng Pilipinas issued various circulars and memoranda in 2020 granting temporary regulatory relief measures to BSP-supervised financial institutions.

On 14 March 2020, the BSP issued BSP Memorandum No. M-2020-008. Recognising the significant impact of the COVID-19 pandemic on the operations of BSFIs, the BSP offered a regulatory relief package which all BSFIs were eligible to avail of within one year from 8 March 2020, the date of declaration of the President of the state of public health emergency under Presidential Proclamation No. 922. The period of eligibility could be extended depending on the developments of the COVID-19 pandemic. The relief package includes exclusion from the past due loan ratio of loans to affected borrowers for a year and the staggered booking of provision for probable losses for five years for all types of credits extended to individuals and businesses directly affected by the COVID-19 pandemic as of 8 March 2020, subject to the prior approval of the BSP.

In an effort to mitigate the adverse effects of the COVID-19 pandemic on the operations of BSFIs, the BSP issued BSP Memorandum No. M-2020-011 dated 19 March 2020, as amended by BSP Memorandum Circular No. M-2020-049 dated 9 June 2020 and Memorandum No. M-2020-057 dated 21 July 2020. BSP Memorandum No. M-2020-049 provides for the relaxation in the regulations governing the submission of reports and other documents to the BSP-Financial Supervision Sector ("**FSS**"). Thus, the submission of required reports to the BSP-FSS that fall due within the months of March to June 2020 is suspended until further notice, except for the submission of the Financial Reporting Package for Banks ("**FRP**"), the Consolidated Foreign Exchange ("**FX**") Position Report, event-driven report requirements and reserve requirement-related reports. Memorandum No. M-2020-057, on the other hand, increased the single borrower's limit from 25% to 30% until 19 March 2021.

BSP Memorandum No. M-2020-008 was further amended by Memorandum No. M-2020-032 issued on 27 April 2020. Memorandum No. M-2020-032 provides that the exclusion from the past due and non-performing classification shall be allowed from 8 March 2020, the date of declaration of the President of the state of public health emergency under Presidential Proclamation No. 922, until 31 December 2021. For this purpose, the BSP documentary requirements for restructuring of loans may be waived, provided that the BSFI will adopt appropriate and prudent operational control measures.

On 19 March 2020, in a bid to spur the economy amid the slowdown caused by COVID-19, the BSP announced it would be pulling down the interest rate on the BSP's overnight reverse repurchase ("**RRP**") facility by 50 basis points to 3.25%. Overnight deposit and lending rates were likewise trimmed to 2.75% and 3.75%, respectively, effective 20 March 2020.

On 20 March 2020, in response to the ECQ imposed by the Philippine government to prevent the spread of COVID-19, the BSP issued Memorandum No. M-2020-013, which amended standard operating procedures for Philippine holidays in view of the COVID-19 outbreak.

On 27 March 2020, the BSP issued Circular No. 1080, which granted some operational relief measures to BSP stakeholders for the duration of the community quarantine imposed to contain the spread of COVID-19 (including the general, modified, and enhanced versions thereof). The Circular allowed for, among others, the submission of documentary requirements for the sale of foreign exchange by authorized agent banks through electronic means; documents with e-signatures/digital signatures, soft copies of duly accomplished forms; and grace periods for the registration of unregistered foreign investments.

On 31 March 2020, BSP Circular No. 1082 was issued, which lowered the rates of required reserves against deposit and deposit substitute liabilities in local currency of banks, with effect from reserve week of 3 April 2020 for universal and commercial banks, to 12% against demand deposits, "NOW" accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs, deposit substitutes, peso deposits lodged under due to foreign banks and Peso deposits lodged under due to Head Office/Branches/Agencies Abroad of banks.

On 8 April 2020, the BSP issued BSP Memorandum No. M-2020-022, which provides the guidelines for the reclassification by a BSP-supervised financial institution ("**BSFI**") of debt securities, as part of the relief measures extended by the BSP in light of the COVID-19 pandemic. Debt securities recorded under the "Other Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss" and "Financial Assets Measured at Fair Value Through Other Comprehensive Income" accounts may be reclassified to the "Debt Securities Measured at Amortized Cost" account. Debt Securities recorded under the "Financial Assets Held for Trading" account may likewise be reclassified to the "Debt Securities at Amortized Cost" account, but only if such debt securities shall no longer be used for trading purposes. The reclassification of debt securities shall be done all at the same time, and only from 1 March 2020 to 30 September 2020. BSFIs may retrospectively reclassify debt securities measured at fair value until 30 April 2020, and may value date the reclassification as of any day from 1 March 2020 to 30 April 2020. Reclassifications made after 30 April 2020 shall take effect only from the date such reclassification is made. BSFIs reclassifying debt securities shall submit a report using the format prescribed in Annex A of the memorandum. However, BSFIs retrospectively reclassifying debt securities that have submitted prudential reports to the BSP need not re-submit the same for the affected reporting periods.

On 15 April 2020, the BSP issued Memorandum No. M-2020-031 which provides for the suspension of PESONet and InstaPay fees for the duration of the ECQ period. The same suspension was further strongly encouraged to be extended for the fees charged by BSFIs for other fund transfer services and interbank ATM transactions.

On 22 April 2020, as part of the Government's financial assistance program and in light of the effects of the COVID-19 pandemic on micro, small and medium-sized enterprises ("**MSMEs**"), the BSP issued Circular No. 1083, which provides that loans that are granted to MSMEs shall be allowed as alternative compliance with the required reserves against deposit and deposit substitute liabilities, subject to the following conditions: (1) that the MSME loan was granted after 15 March 2020; and (2) that the MSME loan is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose. Qualified MSME loans are to be valued at amortised cost, gross of allowance for credit losses. The use of MSME loans as allowable alternative compliance with the reserve requirement is available to banks from 24 April 2020 to 30 December 2021.

On 27 May 2020, the BSP issued Circular No. 1087 amending Circular No. 1083, which provides the following allowable alternative modes of compliance with the required reserves against deposit and deposit substitute liabilities:

a. Peso-denominated loans that are granted to MSMEs, excluding banks and non-bank financial institutions with quasi-banking license ("**NBQB"**), subject to the following conditions:

   i. that the MSME loan was granted, renewed or restructured after 15 March 2020;

   ii. that the MSME loan that was granted on or before 15 March 2020 but has been renewed or restructured after 15 March 2020 may be used as alternative compliance with the reserve requirements; provided, that the bank demonstrates an increase in its MSME loan portfolio during the month preceding the reserve day. For purposes of determining the increase in the bank's MSME loan portfolio, the bank shall exclude accrued interest and accumulated charges which have been capitalized or made part of the principal restructured MSME loans; and

   iii. that the MSME loan is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

Pursuant to BSP Circular No. 1176 (issued on 29 June 2023), the use of MSME loans as allowable alternative compliance with the reserve requirement shall be available to banks from 24 April 2020 to 30 June 2023 only. In case of thrift banks, rural banks, and cooperative banks, outstanding MSME loans that are utilized as alternative compliance with the reserve requirement as of 30 June 2023 shall remain eligible for such purpose until said loans are fully paid but not later than 31 December 2025. MSME loans which subsequently become past due or non-performing, or are extended, renewed, or restructured, shall no longer be eligible as alternative compliance with the reserve requirement. In addition, new MSME loans granted after 30 June 2023 by banks shall no longer be eligible as an allowable alternative mode of compliance with the reserve requirement under the MORB.

b. Peso-denominated loans that are granted to large enterprises, excluding banks and NBQBs, subject to the following conditions:

   i. that the loan to the large enterprise was granted, renewed or restructured after 15 March 2020;

   ii. that the loan to the large enterprise that was granted on or before 15 March 2020 but has been renewed or restructured after 15 March 2020 may be used as alternative compliance with the reserve requirements; provided, that the bank demonstrates an increase in its loan portfolio to large enterprises during the month preceding the reserve day. For purposes of determining the increase in the bank's loan portfolio to large enterprises, the bank shall exclude accrued interest and accumulated charges which have been capitalized or made part of the principal restructured MSME loans; and

   iii. that the loan to the large enterprise is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

A large enterprise shall refer to a sole proprietorship, partnership, corporation or cooperative that meets all of the following criteria: (a) it does not belong to a conglomerate structure; (b) it has an asset size (less land) of more than ₱100 million and an employment size of two-hundred (200) employees or more; and (c) it is a critically-impacted business enterprise that has been directly and adversely impacted by the COVID-19 pandemic such that: (x) its liabilities has become more than its assets; or (y) it has experienced at least a 50% decline in gross receipts for at least one calendar quarter; and, in either instance, is generally unable to pay or perform its obligations as they fall due in the ordinary course of business, as a result of COVID-19 pandemic, or as determined by the appropriate regulatory agency or agencies, as applicable.

On 21 July 2020, the BSP issued Memorandum No. M-2020-057, which relaxed the maximum penalty to be imposed for deficiencies under Section 255 of the MORB/Section 215-Q of the MORNFBI. For the duration of the ECQ until 31 March 2021, the maximum penalty that may be imposed by the BSP for reserve deficiencies shall be the Overnight Lending Facility rate plus 10 basis points, provided that the maximum reserve deficiency

of the institution is 200 basis points, and the excess above that will be subject to regular penalties. The same Memorandum also relaxed notification requirements related to changes in banking days and hours, the temporary closure of branches, branch-lite units, and offices or service units, and the submission of documents and reports to the FSS of the BSP.

On 27 July 2020, the BSP issued BSP Memorandum Circular No. 1092 reducing the reserve requirements against deposit and deposit substitute liabilities in local currency of banks, with effect from 31 July 2020 for thrift banks, to 3% against demand deposits, "NOW" accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs, and deposit substitutes.

On 3 August 2020, the BSP issued Memorandum No. M-2020-061 which provides for the supervisory expectations on the measurement of expected credit losses ("**ECL"**) and the treatment of regulatory relief measures granted amid the COVID-19 pandemic. The supervisory expectations provide, among others, that BSFIs that will avail of the regulatory relief measures to exclude eligible loans from past due and non-performing classifications and to stagger the booking of allowance for credit losses shall continue to report actual past due and non-performing loans and allowance for credit losses in the Financial Reporting Package (FRP) and the Capital Adequacy Ratio (CAR) reports. This is to facilitate the generation of industry statistics and provide the BSP with information on the true health of the banking system.

On 5 August 2020, BSP Memorandum No. M-2020-062 directed BSFIs to ensure continuous availability of financial services to the general public as well as to reinforce their operational capabilities to support the anticipated increase in account opening and basic financial and payment transactions through online financial platforms (i.e. internet and mobile banking). BSFIs should likewise ensure that basic cash services are always available through timely and adequate provisioning of cash in the ATM terminals and to closely monitor other operational issues that may have significant business impact.

On 24 September 2020, the BSP issued Circular No. 1098 which provides for the ceiling on interest or finance charges for credit card receivables. The said Circular shall take effect starting 03 November 2020 after publication and states that banks and credit card issuers shall impose an interest or finance charge on all credit card transactions not to exceed an annual interest rate of 24%, except credit card installment loans which shall be subject to monthly add-on rate not exceeding 1%. For credit card cash advances, aside from the foregoing applicable maximum interest rate caps, no other charge or fee shall be imposed or collected apart from the processing fee in the maximum amount of ₱200 per transaction.

Further, the Circular also provides that the rate of interest and other charges on any loan or forbearance of any money, goods or credits regardless of maturity and whether secured or unsecured shall not be subject to any regulatory ceiling, except for the interest or finance charges imposed on credit card receivables, including cash advances and installment purchases and the maximum processing fee for credit card cash advances.

On 19 January 2023, the BSP issued Circular No. 1165 which provided new thresholds in the imposition of interest or finance charges on all credit card transactions. The Circular states that banks shall impose an interest or finance charge on all credit card transactions not to exceed an annual interest rate of thirty-six (36%), except credit card installment loans which shall be subject to monthly add-on rate not exceeding one (l) percent. Maximum interest rate caps for credit card cash advances remain at ₱200 per transaction.

On 29 June 2023, the BSP issued Circular No. 1176, which provides for the use of loans to large enterprises as allowable alternative compliance with the reserve requirement shall be available to banks from 29 May 2020 to 30 June 2023 only. In the case of thrift banks, rural banks, and cooperative banks, outstanding loans to a large enterprise that are utilized as alternative compliance with the reserve requirement as of 30 June 2023 shall remain eligible for such purpose until said loans are fully paid but not later than 31 December 2025. Loans to a large enterprise which subsequently become past due or non-performing, or are extended, renewed, or restructured, shall no longer be eligible as alternative compliance with the reserve requirement. In addition, new loans to a

large enterprise granted after 30 June 2023 by banks shall no longer be eligible as an alternative mode of compliance with the reserve requirement under the MORB.

On 11 February 2026, the BSP issued Circular No. 1229, which amended Sections 255 of the MORB and 215-Q of the MORNBFI to standardize the penalty framework for reserve deficiencies. Under the amended provisions, a bank or quasi-bank with a daily reserve deficiency shall pay the BSP one-tenth of one percent (0.1%) on the amount of the deficiency, subject to the allowed offsetting of deficiencies against excess reserves within the same reserve week. The Circular likewise reduced certain reserve requirements to zero percent and introducing a new Weekly Reserve Report (WRR) system; and clarified the rules on abuse of the offsetting privilege and imposed sanctions for chronic reserve deficiencies, including possible denial of BSP credit facilities, limitations on new loans or investments, and prohibition on the declaration of cash dividends

17.2 REGULATION RELATING TO CAPITAL STRUCTURE

Pursuant to the General Banking Law, no entity may operate as a bank without the permit of the BSP through the Monetary Board. The SEC will not register the incorporation documents of any bank or any amendments thereto without a Certificate of Authority issued by the Monetary Board.

A bank can only issue par value stocks and it must comply with the minimum capital requirements prescribed by the Monetary Board. A bank cannot purchase or acquire its own capital stock or accept the same as security for a loan, except when authorized by the Monetary Board. Any stock so purchased or acquired must be sold within six months from the time of its purchase or acquisition.

Under Section 121 of the MORB, universal banks are required to have capital accounts of at least ₱3 billion for head office only, ₱6 billion for head office with up to 10 branches, ₱15 billion for head office with 11 to 100 branches, and ₱20 billion for head office with more than 100 branches. Commercial banks are required to have capital accounts of at least ₱2 billion for head office only, ₱4 billion for head office with up to 10 branches, ₱10 billion for head office with 11 to 100 branches, and ₱15 billion for head office with more than 100 branches. Thrift banks with head office in Metro Manila are required to have capital accounts of at least ₱500 million for head office only, ₱750 million for head office with up to 10 branches, ₱1 billion for head office with 11 to 50 branches, and ₱2 billion for head office with more than 50 branches. Thrift Banks with Head Office in all other areas outside area are required to have capital accounts of at least ₱200 million (for Head Office only); ₱300 million (for up to 10 branches); ₱400 million (for 11 to 50 branches); and ₱800 million (for more than 50 branches). Rural banks are required to have capital accounts of at least ₱50 million (for Head Office only); ₱50 million (for up to 5 branches); ₱120 million (for 6 to 10 branches); and ₱200 million (for more than 10 branches). Finally, digital banks are required to have capital accounts of at least ₱1 billion. These minimum levels of capitalization may be changed by the Monetary Board from time-to-time.

On 17 October 2025, the BSP issued Circular No. 1219, which modified the minimum capitalization requirements applicable to Islamic Banks (IBs). In particular, the minimum capitalization requirements for a UB shall apply to a full-fledged IB. A conventional bank complies with the capital requirements to its banking category may be allowed to operate an Islamic Banking Unit (IBU).

For purposes of these requirements, the MORB states that the term capital shall be synonymous to unimpaired capital and surplus, combined capital accounts and net worth and shall refer to the total of the unimpaired paid-in capital, surplus and undivided profits, less:

- treasury stock;
- unbooked allowance for probable losses, which includes allowance for credit losses and impairment losses;
- total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI granted by the bank;
- total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries;

- total outstanding unsecured loans, other credit accommodations and guarantees granted to related parties that are not at arm's length terms as determined by BSP;
- deferred income tax;
- equity investment of a bank in another bank or enterprise, whether foreign or domestic, if the other bank or enterprise has a reciprocal equity investment in the investing bank, in which case, the investment of the bank or the reciprocal investment of the other bank or enterprises, whichever is lower; and
- in the case of rural banks, the government counterpart equity, except those arising from conversion of arrearages under the BSP rehabilitation program.

According to BSP Circular No. 1027 dated 28 December 2018, deposits for stock subscription recognised as equity pursuant to Section X128 of the MORB shall be added to capital.

On 15 July 2014, RA 10641 further liberalized the industry by providing that the Monetary Board may authorize foreign banks to acquire up to 100% (previously 60%) of the voting stock of one domestic bank. Under RA 10641, established, reputable and financially sound foreign banks may be authorized by the Monetary Board to operate in the Philippine banking system though any one of the following modes of entry: (a) by acquiring, purchasing or owning up to 100% of the voting stock of an existing bank; (b) by investing in up to 100% of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches with full banking authority. The foreign bank applicant must also be widely-owned and publicly-listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. A foreign bank branch authorized to do banking business in the Philippines under RA 10641 may open up to five sub-branches as may be approved by the Monetary Board. Locally incorporated subsidiaries of foreign banks authorized to do banking business in the Philippines under RA 10641 shall have the same branching privileges as domestic banks of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

Under RA 10641, the Monetary Board was authorized to issue such rules and regulations as may be needed to implement the provisions of RA 10641. On 6 November 2014, the Monetary Board issued Resolution No. 1794 providing for the implementing rules and regulations of RA10641 and on 21 November 2014, the BSP issued Circular No. 858, amending the relevant provisions of the Manual, accordingly. On 15 February 2016, BSP issued Circular No. 902, Series of 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks pursuant to its policy to promote a competitive banking environment.

The stockholders of individuals related to each other within the fourth degree of consanguinity or affinity, whether legitimate, illegitimate or common-law, shall be considered family groups or related interests, the relationship of which must be fully disclosed in all transactions by such an individual with the bank. Moreover, two (2) or more corporations owned or controlled by the same family group or same group of persons shall be considered related interests, the relationship of which must be fully disclosed in all transactions with the bank.

A bank cannot declare dividends greater than its accumulated net profits on hand deducting therefrom its losses and bad debts. A bank cannot also declare dividends, unless at the time of declaration, it has complied with the following:

- clearing account with BSP is not overdrawn;
- liquidity floor for government funds for five or more consecutive days;
- minimum capitalization requirement and risk-based capital ratios as provided under applicable and existing capital adequacy framework;
- capital conservation buffer requirement as defined in Appendix 59, Part III of the MORB;

- higher loss absorbency ("**HLA**") requirement, phased-in starting 1 January 2017 with full implementation by 1 January 2019, in accordance with D-SIB Framework as provided under Section 128 of the MORB; or
- has not committed any unsafe or unsound banking practice as defined under existing regulations and/or major acts or omissions as determined by BSP to be grounds for suspension of dividend distribution, unless this has been addressed by the bank as confirmed by the Monetary Board or the Deputy Governor, Supervision and Examination Sector of the BSP.

Banks are required to ensure compliance with the minimum capital requirements and risk-based capital ratios even after the dividend distribution.

17.3 REGULATIONS WITH RESPECT TO BRANCHES

Section 20 of the General Banking Law provides that universal and commercial banks may open branches within or outside the Philippines upon prior approval of the BSP. The same provision of law allows banks, with prior approval from the Monetary Board, to use any or all of their branches as outlets for the presentation and/or sale of financial products of their allied undertakings or investment house units. In line with this, BSP Circular No. 854 Series of 2014 and BSP Circular No. 1151 Series of 2022 provide various minimum capitalization requirements for branches of banks, depending on the number of branches (e.g., ranging from a minimum of ₱6 billion for up to 10 branches of universal banks to a maximum of ₱20 billion for more than 100 branches of universal banks).

Subject to compliance with the requirements provided in BSP Circular No. 624, issued on 13 October 2008, which provides for BSP's branching policy and guidelines, the Bank may apply to the BSP for the establishment of branches outside its principal or head office. Generally, only universal/commercial and thrift banks may establish branches on a nationwide basis.

Pursuant to BSP Circular No. 505, issued on 22 December 2005, banks are allowed to establish branches in the Philippines, except in the cities of Makati, Mandaluyong, Manila, Parañaque, Pasay, Pasig and Quezon and the municipality of San Juan, Metro Manila. However, this branching restriction was liberalised pursuant to BSP Circular No. 728, issued on 23 June 2011. Phase 1 of the liberalisation allowed private domestically incorporated universal and commercial banks and thrift banks with limited branch networks in the eight cities or "restricted areas" in Metro Manila until 30 June 2014 to apply for and establish branches in said restricted areas. In Phase 2, branching in the "restricted" areas was opened to all banks except rural banks and cooperative banks. However, branches of microfinance-oriented banks and microfinance-oriented branches of regular banks' branches that will cater primarily to the credit needs of Barangay Micro Business Enterprises duly registered under Republic Act No. 9178 or the Barangay Micro Business Enterprises Act of 2002 may be established anywhere upon the fulfilment of certain conditions.

BSP Circular No. 759 further liberalized its policy on the establishment of branches by removing the limit set on the number of branches allowed to be applied for by a bank. It permitted a bank to establish as many branches as its qualifying capital can support in accordance with existing rules.

At present, pursuant to BSP Circular No. 932, issued in 2016, all banks, including rural and cooperative banks, as a general rule are allowed to establish branches anywhere in the Philippines, including in cities previously considered as restricted areas.

In BSP Circular No. 987 Series of 2017, the BSP approved the guidelines on the establishment of branch-lite units amending relevant provisions of the Manual. BSP Circular No. 987 was amended by BSP Circular No. 1031, including the licensing requirements of branch-lite units. A branch-lite unit refers to any permanent office or place of business of a bank, other than its head office or a branch which performs limited banking activities and records its transactions in the books of the head office or the branch to which it is annexed.At present, pursuant to BSP

Circular No. 932, Series of 2016, all banks, including rural and cooperative banks, as a general rule are allowed to establish branches anywhere in the Philippines, including in cities previously considered restricted areas.

BSP Circular No. 847, series of 2014, imposed licensing fees on relocation of head offices, branches and other banking offices, approved but unopened branches and other banking offices to restricted areas.

17.4 REGULATIONS WITH RESPECT TO MANAGEMENT OF BANKS

The board of directors of a bank must have at least five and a maximum of 15 members. According to the Revised Corporation Code, the board of banks and quasi-banks must have independent directors comprising at least 20% of such board. The Revised Corporation Code also requires a compliance officer. In addition to the requirements under Section 31 of the Revised Corporation Code, material contracts of a corporation vested with public interest entered into with one or more of its directors, trustees, officers or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least 2/3 of the members of the board, with at least majority of the independent directors approving the same.

The board of directors of a bank must have at least five and a maximum of 15 members, at least one-third but not less than two of whom shall be independent directors. In case of merged or consolidated banks, the number of directors shall not exceed 21. An independent director is a person who is independent of management and the controlling shareholder and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

Under the MORB, at least one-third but not less than two members of the board of directors of universal and commercial banks shall be independent directors. Meanwhile, SEC Memorandum Circular No. 19, Series of 2016, on the Code of Corporate Governance for Publicly-Listed Companies requires the board of directors of publicly-listed companies, such as the Bank, to have two independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher. An independent director is a person who is not an officer or employee of a bank, its subsidiaries or affiliate or related interests. The Revised Corporation Code likewise requires independent directors, apart from shareholdings and fees received from the bank, to be free from any business or other relationship which could, or could reasonably be perceived to materially interfere with the exercise of independent judgment in carrying out their responsibilities as a director.

Non-Filipino citizens may become members of the board of directors to the extent of the foreign participation in the equity of the bank. Further, SEC Memorandum Circular No. 24, Series of 2019, on the Code of Corporate Governance for Publicly-Listed Companies requires the board of directors of publicly-listed companies to have a Board composed of a majority of non-executive directors and at least two independent directors, or such number as to constitute at least one-third (1/3) of the members of the Board, whichever is higher.

Under the Manual, bank directors and officers must meet certain minimum qualifications. For instance, directors must be at least 25 years old, have a college degree or have at least five years' business experience, while officers must be at least 21 years old, have a college degree, or have at least five years' banking or trust experience or related activities or in a field related to his position and responsibilities, and be fit and proper for the position he is being proposed/appointed to.

Certain persons are permanently disqualified from acting as bank directors, including (a) persons who have been convicted by final judgment of a court (i) for an offense involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of Batas Pambansa Blg. 22 (which penalizes the issuance of checks that are not sufficiently funded), violation of Anti-Graft and Corrupt Practices Act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), (ii) sentencing them to serve a maximum term of imprisonment of more than six years, (iii) for violation of banking laws, rules and

regulations; (b) persons who have been judicially declared insolvent or incapacitated; (c) directors, officers or employees of closed banks who were found to be culpable for such institution's closure as determined by the Monetary Board; (d) directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; and (e) directors and officers of banks or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory. In July 16, 2025, pursuant to BSP Circular No. 1216, the list of persons permanently disqualified was expanded to include those who voluntarily submitted a sworn written commitment to perpetually inhibit themselves from participating in the ownership whether directly or indirectly, and/or management, in whatever capacity, of any BSP supervised financial institution.

Meanwhile, certain persons are temporarily disqualified from holding a director position including (a) persons who refuse to fully disclose the extent of their business interests or any material information to the appropriate department of the SES when required pursuant to a provision of law or of a circular, memorandum, rule or regulation of the BSP; (b) directors who have been absent for more than half of directors' meetings during their incumbency and directors who failed to physically attend 25% of all board meetings in any year; (c) persons who are delinquent in the payment of their obligations with the bank where he/she is a director or officer or at least two obligations with other banks or financial institutions under different credit lines or loan contracts are past due; (d) directors and officers of closed banks pending their clearance by the Monetary Board; (e) directors disqualified for failure to observe their duties and responsibilities prescribed under existing regulations; (f) directors who failed to attend the required special seminar for board of directors; (g) persons who have been dismissed/terminated from employment for cause; (h) those under preventive suspension; (i) persons with derogatory records as certified by, or on official files of, the judiciary, National Bureau of Investigation, Philippine National Police, quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities; (j) directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by court; and (k) directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from office or fine is imposed.

When the ground for disqualification ceases to exist, the director or officer concerned may subsequently become a director or officer of institutions regulated by the BSP only upon approval of the Governor of the BSP. In addition, except as may be permitted by the Monetary Board of the BSP, directors or officers of banks are also generally prohibited from simultaneously serving as directors or officers of other banks or non- bank financial intermediaries. The same prohibition applies to persons appointed to such positions as representatives of the government or government-owned or controlled entities holding voting shares of stock of banks/QBs/nonbank financial institutions/trust corporations unless otherwise provided under existing laws (see BSP Circular No. 953 dated 27 March 2017).

The Monetary Board may regulate the payment by the bank of compensation, allowances, bonus, fees, stock options and fringe benefits to the bank officers and directors only in exceptional cases such as when a bank is under conservatorship, or is found by the Monetary Board to be conducting business in an unsafe or unsound manner or when the Monetary Board deems it to be in unsatisfactory condition.

Except in cases allowed under the Rural Bank Act, no appointive or elective public official, whether full time or part time, may serve as officer of any private bank, except if the service is incidental to financial assistance provided by government or government owned and controlled corporation or when allowed by law.

On 22 August 2017, the BSP issued Circular No. 971, prescribing the Guidelines on Risk Governance for BSFIs, and requiring the appointment of a Chief Risk Officer (CRO) in universal and commercial banks to head the risk

management function. In addition to overseeing the risk management function, the CRO shall also support the board of directors in the development of the risk appetite of the BSFI and for translating the risk appetite into a risk limits structure. The appointment, dismissal and other changes to the CRO requires the prior approval of the board of directors.

On the same date, the BSP also issued Circular No. 972, prescribing the Enhanced Guidelines in Strengthening Compliance Frameworks for BSFIs, and requiring the appointment of a Chief Compliance Officer ("**CCO"**). The CCO is tasked to oversee the identification and management of the BSFI's compliance risk and shall supervise the compliance function staff. Additionally, the board of directors should ensure that a compliance program is defined for the BSFI and that compliance issues are resolved expeditiously. For this purpose, a board-level committee, chaired by a non-executive director, shall oversee the compliance program.

On 4 January 2018, BSP Circular No. 989 was issued providing the Guidelines on the Conduct of Stress Testing Exercises. Stress testing is a tool to evaluate the potential effects of specified changes in risk factors. The Board of Directors must consider the results in capital and liquidity planning and setting risk appetite, among others. Banks have a period of two years from effectivity date to gradually change their stress testing practices until it is in compliance with the circular's requirements.

BSP Circular No. 1076, Series of 2020 also provides a list of those prohibited to become officers of a bank, including any appointive or elective official, whether full time or part time, except in cases where such service is incidental to the financial assistance provided by the government or government-owned or controlled corporations, or in cases allowed under existing laws.

On 8 April 2021, BSP issued Circular No. 1112, which provides the amendments to the operational risk management of BSFIs. The BSP recognises that one of the major sources of operational risk is "people risk". The BSP mandates BSFIs to be stringent in its recruitment and selection process and in the performance management of its personnel. In connection with this circular, the Human Resource Department of BSFIs shall require all those who passed the initial stage of pre-employment screening to accomplish the Authorisation Form for Querying (AFQ) the Bangko Sentral Records.

On 23 August 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and control of risks associated with its investments. The guidelines cover all of a bank's investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method; (b) transactions in derivatives involving standalone contracts; and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.

On 28 November 2022, the BSP issued Circular No. 1160, series of 2022 which provides for a framework for Bangko Sentral-Supervised Institutions ("**BSIs**") to manage risks and potential harms to Financial Consumers and institutionalise consumer protection. This framework applies to all financial products created, developed, offered, or marketed by a BSI. Thus, BSIs must comply with the framework by (1) having a consumer protection risk management system (2) establishing board and senior management oversight; (3) maintaining consumer protection standards of conduct; and (4) providing appropriate design and delivery of financial products and services.

On 28 October 2024, the BSP issued Circular No. 1203 (Series of 2024) on Guidelines on Operational Resilience for BSIs, requiring institutions to integrate resilience of critical operations into their enterprise-wide risk frameworks.

17.5 REGULATIONS WITH RESPECT TO BANK OPERATIONS

A universal bank, such as the Bank, may open branches or offices within or outside the Philippine subject to the prior approval by the BSP. A bank and its branches and offices shall be treated as one unit. A bank, with prior approval of BSP, may likewise use any of its branches as outlets for presentation and/sale of financial products of its allied undertakings or investment house units.

The Monetary Board shall prescribe the minimum ratio which the net worth of a bank must bear to its total risk assets which may include contingent accounts. In connection thereto, the Monetary Board may require that the ratio be determined on the basis of the net worth and risk assets of a bank, its subsidiaries, financial or otherwise and prescribe the composition and the manner of determining the net worth and total risk assets of bank and their subsidiaries. To ensure compliance with the set minimum ratio, the Monetary Board may limit or prohibit the distribution of net profits by such bank and require that such net profit be used to increase the capital accounts of the bank until the minimum requirement has been met. It may also restrict or prohibit acquisition of major assets and the making of new investments by the bank.

A universal bank has the authority to: (i) perform activities allowed for commercial banks; (ii) exercise powers of an investment house; and (iii) invest in non-allied enterprise. A universal bank may own up to 100% of the equity in a thrift bank, a rural bank or a financial allied enterprise. A publicly listed universal or commercial bank may own up to 100% of the voting stock of only one other universal or commercial bank. A universal bank may also own up to 100% of the equity in a non-financial allied enterprise.

In addition to those functions specifically authorised by the General Banking Law and the MORB, banking institutions in general (other than building and loan associations) are allowed to (i) receive in custody funds, documents and valuable objects, (ii) rent out safety deposit boxes, (iii) act as financial agents and buy and sell, by order of and for the account of their customers, shares, evidences of indebtedness and all types of securities, (iv) make collections and payments for the account of others and perform such other services for their customers as are not incompatible with banking business, and (v) upon prior approval of the Monetary Board, act as managing agent, adviser, consultant or administrator of investment management/advisory/consultancy accounts. Financial intermediaries are also allowed to a certain extent to invest in allied (both financial and non-financial) or non-allied undertakings (applicable only to universal banks), or both.

Financial allied undertakings include leasing companies, banks, investment houses, financing companies, credit card companies, and financial institutions catering to small-and medium-scale industries, including venture capital companies, companies engaged in stock brokerage/securities dealership and companies engaged in foreign exchange dealership/brokerage.

The total equity investments of a universal bank in all enterprises, whether allied or non-allied, are not permitted to exceed 50.0% of its net worth. Its equity investment in any one enterprise, whether allied or non-allied, is not permitted to exceed 25.0% of the net worth of the universal bank. Net worth is defined as the total unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation reserves and other adjustments as may be required by the BSP.

On 7 February 2019, the BSP issued Circular No. 1031, setting forth additional guidelines for the classification of licences/authorities based on the types of licences issued for permissible activities; and providing for corresponding amendments to the licensing requirements of the BSP. The Circular provides that a Type C licence is required for the issuance of bonds and commercial paper.

On 22 February 2019, the BSP issued Circular No. 1033, which governs electronic payment and financial services ("**EPFS**") offered by BSFIs. EPFS are classified as basic EPFS, which are limited to services allowing only receipt of funds or access to information, and advanced EPFS, which enable customers to send funds and initiate other financial transactions. BSFIs intending to offer advanced EPFS must obtain a Type A/B licence, while those

intending to offer only basic EPFS must obtain a Type C licence. Once granted a licence, a BSFI must comply with the regulations set forth in the Circular.

On 25 July 2019, the BSP issued Circular No. 1042 on the Guidelines on Investment Activities of BSFIs. These cover all of a BSFI's investment in the trading and banking books. It provides the fundamental elements of a BSFI's risk management framework as well as the supervisory expectations on the management of major risks that are inherent in investment activities.

On 21 January 2022, the BSP issued Circular No. 1135 on the Guidelines on the Settlement of Electronic Payments under the Nation

On 7 February 2023, the BSP issued Circular No. 1166, which made changes to the rules on the issuance of e-money and operations of e-money issuers in the Philippines (including rules on liquidity, capitalisation, load limit, and guidelines on reporting and sanctions). The new guidelines set forth in this BSP Circular covers BSFIs that issue E-money and engage in E-money business in the Philippines. E-money issued under closed-loop electronic wallet systems is not covered by the guidelines.

17.6 REGULATION WITH RESPECT TO TRANSACTIONS WITH RELATED PARTIES

BSP Circular No. 895 issued on 14 December 2015 provides for the guidelines on related party transactions of banks and their non-bank financial subsidiaries and affiliates. Related parties cover three (3) groups: (i) the bank's subsidiaries as well as affiliates and any party the bank exerts direct/indirect control over or that exerts direct/indirect control over the bank; (ii) the bank's directors, officers, stockholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies; and (iii) such other person/juridical entity whose interest may pose potential conflict with the interest of the financial institution. Circular No. 895 covers outstanding transactions entered into with an unrelated party that subsequently becomes a related party. Further, there is disputable presumption of control whenever there is ownership or holding – direct or indirect – of 20% or more of a class of voting shares of a company.

BSP Circular No. 895 requires the board of directors to adopt and approve a group-wide related party transaction (RPT) policy which shall encompass all entities within the banking group. The said RPT policy shall cover not only transactions that give rise to credit and/or counterparty risks, but also those that could pose material/special risk or potential abuse to the bank/financial institution and its stakeholders.

The RPT policy shall provide clear guidelines in ensuring the RPTs are conducted at arm's length terms, provide for measures to identify and prevent or manage conflicts of interest, identify materiality thresholds and excluded transactions, whistle blowing mechanisms and measures for restitution of losses and other remedies for abusive RPTs or those not engaged at arm's length terms. BSP Circular No. 895 likewise mandates the creation of an RPT Committee, especially for banks that are part of a conglomerate, which will monitor and evaluate RPTs and oversee the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPT including, periodic review of RPT policies and procedures.

In addition to the required reports on DOSRI and transactions with subsidiaries and affiliates under existing regulations, universal/commercial banks which are part of conglomerates are now required to report all entities in the conglomerate structure and likewise disclose the beneficial owners of shareholdings that are in the name of PCD nominee corporation. The report on conglomerate structure shall be submitted within 30 calendar days after the end of every calendar year. Aside from this report, banks are also required under Circular No. 895 to submit a report on material exposures to related parties including the material RPTs of their non-bank financial subsidiaries and affiliates within 20 calendar days after the end of the reference quarter starting with the quarter ending 31 March 2016. In this connection, the circular provides that supervised non-bank financial subsidiaries and affiliates are expected to report their material RPTs to the parent bank, which in turn shall report the same to the BSP. The reportorial requirement on conglomerate structure is not applicable to branches of foreign banks.

Moreover, the governance principles including the adoption of group-wide RPT policy shall be complied with by the branches of foreign banks only to the extent possible since these entities have a distinct organizational set-up.

BSP Circular No. 969, dated 22 August 2017, further codified the BSP's thrust to strengthen oversight over related party transactions by enhancing corporate governance guidelines which includes improvement of the duties and responsibilities of the related party transactions committee of BSP supervised financial institutions.

On 25 April 2019, the Philippine SEC issued Memorandum Circular No. 10, series of 2019 (Rules on Material Related Party Transactions for Publicly Listed Companies), mandating additional disclosure/reportorial requirements for material related party transactions ("**MRPTs"**) amounting to 10% or higher of a publicly listed company's total assets. The circular requires all publicly listed companies to submit to the Philippine SEC a policy on MRPTs. Advisement Reports on MRPTs shall also be filed with the SEC in accordance with the circular within three calendar days after the execution of a covered transaction. Finally, a summary of MRPTs entered into by the company during the reporting year shall be disclosed in the company's Integrated Annual Corporate Governance Report ("**I-ACGR"**) submitted annually every 30 May.

17.7 CAPITAL ADEQUACY REQUIREMENTS AND RESERVE REQUIREMENTS

17.7.1 Capital adequacy requirements

In July 2001, the Philippines adopted capital requirements based on the Basel Capital Accord.

BSP Circular No. 538, which took effect on 1 July 2007, serves as the implementing guideline of the revised International Convergence of Capital Measurement and Capital Standards known as Basel II.

In December 2010, a new update to the Basel Accords, known as Basel III, was issued by the BCBS containing new standards that modify the structure of regulatory capital. The Basel III regulations include tighter definitions of Tier 1 capital and Tier 2 capital, the introduction of a leverage ratio, changes in the risk weighting of counterparty credit risk, a framework for counter-cyclical capital buffers and short and medium-term quantitative liquidity ratios. To align with international standards, the BSP issued BSP Circular No. 709 effective 1 January 2011, which adopted part of the BCBS's eligibility criteria to determine eligibility of capital instruments to be issued by Philippine banks and quasi-banks as Hybrid Tier 1 capital and Tier 2 capital.

In January 2012, the BSP announced that the Philippine's universal and commercial banks, including their subsidiary banks and quasi-banks, were required to adopt in full the capital adequacy standards under Basel III which took effect from 1 January 2014. It aims to replace Basel II, further strengthen the local bank's loss absorption capacity and encourage banks to rely more on core capital instruments like Common Equity Tier 1 and Tier 1 issues.

BSP Memorandum No. M2012-002 outlines BSP's proposed new minimum ratios and conservation buffers. The revised risk-based capital adequacy framework (which will also cover risk measurement enhancement and provisions concerning the use of third-party credit assessment agencies) took effect on 1 January 2014. In March 2012, the BSP also circulated a discussion paper providing draft guidelines for Basel III implementation in the Philippines starting 1 January 2014. Philippine banks were invited to comment on the discussion paper until June 2012, after which the BSP finalized the guidelines for Basel III in the Philippines. Notable provisions include: (i) new categorization of the capital base with Tier 1 being composed of CET1 capital and Additional Tier 1 ("**AT1**") capital and elimination of the subcategories of Tier 2 capital; (ii) revised eligibility criteria for the different categories of regulatory capital; (iii) regulatory adjustments to be deducted from CET1 in a full deduction approach; (iv) higher minimum capital requirements; (v) loss absorbency of regulatory capital at the point of non-viability; (vi) introduction of a framework to promote the conservation of capital and the build-up of adequate buffers above the minimum that can be drawn down in times of periods of stress; and (vii) additional disclosure requirements.

On 21 September 2012, BSP Circular No. 768 was issued, which provides, among others, that Hybrid Tier 1 and Lower Tier 2 capital must have loss absorption features providing that the instrument would be written off or converted into common equity upon the occurrence of a trigger event determined by the BSP.

Local banks were allowed one full year of transitioning to the new guidelines prior to the effective date of the new standards in 2014, marking an accelerated implementation compared to the Basel Committee's staggered timeline that stretches from January 2013 to January 2017. On 15 January 2013, the BSP issued the implementing guidelines for the adoption on 1 January 2014 of the revised capital standards under Basel III for universal and commercial banks.

The guidelines set new regulatory ratios for banks to meet specific minimum thresholds for CET1 capital and Tier 1 capital in addition to the CAR. The BSP maintained the minimum CAR at 10.0% and set a minimum CET1 ratio of 6.0% and a minimum Tier 1 capital ratio of 7.5%. The new guidelines also introduced a capital conservation buffer of 2.5% which shall be made up of CET1 capital.

In addition, banks which issued capital instruments from 2011 were allowed to count these instruments as Basel III-eligible until end of 2015. However, capital instruments that are not eligible in any of the three components of capital were derecognized from the determination of the regulatory capital on 1 January 2014.

Under the New Central Bank Act, the BSP requires banks to maintain cash reserves and liquid assets in proportion to deposits in prescribed ratios. If a bank fails to meet this reserve during a particular week on an average basis, it must pay a penalty to the BSP on the amount of any deficiency. Under BSP Memorandum No. 2020-011, as amended by BSP Memorandum No. 2020-025, the maximum penalty that may be imposed for reserve deficiencies were relaxed as part of the measures to provide operational relief to BSFIs affected by measures to manage the COVID 19 situation.

Under BSP Circular No. 732 issued on 3 August 2011, as further amended by BSP Circular No. 753 issued on 29 March 2012, BSP Circular No. 830 issued on 3 April 2014, BSP Circular No. 832 issued on 27 May 2014, BSP Circular No. 997 issued on 15 February 2018, BSP Circular No. 1004 issued on 24 May 2018. BSP Circular No. 1041 issued on 29 May 2019, BSP Circular No. 1054 issued on 11 October 2019, BSP Circular No. 1056 issued on 22 October 2019, BSP Circular No. 1063 issued on 3 December 2019, BSP Circular No. 1082 issued on 31 March 2020, BSP Circular No. 1092 issued on 31 July 2020, BSP Circular No. 1175 issued on June 23, 2023, BSP Circular No. 1201 issued on September 20, 2024, BSP Circular No. 1211 issued on March 11, 2025, and BSP Circular No. 1229 issued on February 11, 2026, universal and commercial banks are required to maintain regular reserves of: (a) 5% against demand deposits, negotiable order of withdrawal accounts, savings deposit (excluding basic deposit accounts), time deposits, negotiable certificates of time deposits, long-term non-negotiable tax-exempt certificates of time deposits, deposit substitutes, peso deposits lodged under due to foreign banks, and peso deposits lodged under due to head office/branches/agencies abroad (Philippine branch of a foreign bank); (b) 0% against deposit substitutes evidenced by repossession agreements covering government securities that are transacted in an organized market under the Government Securities Repo Program, interbank call loan transactions, basic deposit accounts, and long-term negotiable certificates of time deposits; and (c) 3% against bonds.

On 29 October 2014, the Monetary Board approved the guidelines for the implementation of higher capital requirements on DSIBs by the BSP under Basel III. Banks deemed DSIBs by the BSP are required to maintain capital surcharges to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the DSIBs fail. The assessment started in 2014 with the BSP informing banks confidentially of their DSIB statuses in 2015. To determine the banks' systemic importance, the BSP will assess and assign weights using the indicator-based measurement approach based on the following: size, interconnectedness, substitutability, and complexity. Depending on how they score against these indicators and the buckets to which the scores correspond, the DSIBs will have varying levels of additional loss absorbency requirements ranging from 1% to 2.5%. Aside from the added capital pressure, DSIBs may be put at an undue

disadvantage compared to Global Systemically Important Banks (GSIBs) given that this framework was patterned for regional/global banks and thus may not be appropriate for local banks. The phased-in compliance started on 1 January 2017 before becoming fully effective on 1 January 2019. On 12 February 2016, the Monetary Board approved the guidelines on the submission of a recovery plan by DSIBs which shall form part of the DSIBs' ICAAP submitted to the BSP every 31st of March of each year. The recovery plan identifies the course of action that a DSIB should undertake to restore its viability in cases of significant deterioration of its financial condition in different scenarios. At the latest, the recovery plan shall be activated when the DSIB breaches the total required CET1 capital, the HLA capital requirement and/or the minimum liquidity ratios as may be prescribed by the BSP. As a pre-emptive measure, the recovery plan should use early warning indicators with specific levels (i.e., quantitative indicators supplemented by qualitative indicators) that will activate the recovery plan even before the above-said breaches happen. This preparatory mechanism, including the operational procedures, monitoring, escalation and approval process should be clearly defined in the recovery plan. The ICAAP document, which includes the first recovery plan, was submitted on 30 June 2016 and will be re-submitted on the 31st of March of each year.

In May 2015, the BSP approved the guidelines for the implementation of Basel III leverage ratios (calculated by dividing banks' Tier 1 capital over its total on-book and off-book exposure). On 9 June 2015, the BSP issued Circular No. 881 amending the relevant provisions of the previously issued guidelines. Under the BSP Circular No. 881, universal and commercial banks are required to maintain a minimum leverage ratio of 5%, which is more stringent than the 3% minimum leverage ratio under Basel III by 1 January 2017 (which compliance period was extended to 1 January 2018 based on BSP Circular No. 943 issued in 2017). The guidelines also provided for a monitoring period up to end of 2016 during which banks were required to submit periodic reports. However, sanctions were not imposed on banks whose leverage ratios fell below the required 5% minimum during the period. The leverage ratio serves as a backstop measure to the risk-based capital requirements. While this has no material impact given that Philippine banks' ratios are above the required minimum, the leverage ratio along with other pending components of Basel III point to an increasing regulatory burden on banks. Further, local banks face new liquidity requirements under Basel III, namely, the LCR and the NSFR. The LCR requires banks to hold a sufficient level of HQLAs to enable them to withstand a 30 day-liquidity stress scenario. Meanwhile, the NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. While both ratios are intended to strengthen banks' ability to absorb shocks and minimize negative spill-overs to the real economy, compliance with these ratios may further increase competition among banks for deposits as well as HQLAs.

On 22 January 2018, the BSP issued Circular No. 990 which approved the extension of the Basel III Leverage Ratio monitoring period from 31 December 2017 to 30 June 2018, and set new deadlines for the submission of the reporting and disclosure requirements. The monitoring of the leverage ratio shall be implemented as a Pillar 1 minimum requirement effective on 1 July 2018.

In March 2016, the Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks were required to commence reporting their LCR to the BSP. On 1 January 2018, the LCR threshold that banks are required to meet is 90%, which will be increased to 100% commencing on 1 January 2019. On 15 March 2019, BSP Circular No. 1035 was issued, requiring covered banks to publicly disclose information related to the LCR in single currency and on solo and consolidated bases starting 2019 for universal and commercial banks. It likewise amended the method of LCR calculation.

The BSP issued BSP Circular No. 1007 and BSP Circular No. 1034 in 6 June 2018 and 15 March 2019, respectively, providing the guidelines on the adoption of the Basel III Liquidity Framework on Liquidity Standards – Net Stable Funding Ratio. The guidelines require that covered entities maintain an NSFR of at least 100% at all times. The framework applies to all universal and commercial banks (starting 1 January 2019), their subsidiary banks, and quasi-banks (starting 1 January 2020). The internationally agreed start date for the phase-in of liquidity requirements was as of 1 January 2015. The Circular provides for an observation period until 31 December 2018 for universal/commercial banks, during which NSFR Reports must be submitted and should a covered entity be

unable to meet the minimum NSFR for a period of two consecutive weeks, it must immediately adopt a board-approved stable funding build-up plan.

On 12 February 2016, the Monetary Board approved the guidelines on the submission of a recovery plan by D-SIBs which shall form part of the D-SIBs' Internal Capital Adequacy Assessment Process ("**ICAAP"**); submitted to the BSP every 31st of March of each year. The recovery plan identifies the course of action that a D-SIB should undertake to restore its viability in cases of significant deterioration of its financial condition in different scenarios. At the latest, the recovery plan shall be activated when the D-SIB breaches the total required CET1 capital, the HLA capital requirement and/or the minimum liquidity ratios as may be prescribed by the BSP. As a pre-emptive measure, the recovery plan should use early warning indicators with specific levels (i.e., quantitative indicators supplemented by qualitative indicators) that will activate the recovery plan even before the above-said breaches happen. This preparatory mechanism, including the operational procedures, monitoring, escalation and approval process should be clearly defined in the recovery plan. The ICAAP document which includes the first recovery plan was submitted on 30 June 2016 and will be re-submitted on the 31st of March of each year.

In addition, Basel III capital rules for banks include setting up a Countercyclical Capital Buffer ("**CCyB")** wherein banks build up the required level of capital during boom times and draw down on the buffer in the event of an adverse turn in the cycle or during periods of stress, thus helping to absorb losses. The CCyB will require banks to hold additional common equity or other fully loss absorbing capital in amounts ranging from 0% to 2.5% of the risk-weighted assets. The credit-to-GDP gap, defined as the difference between the credit-to-GDP ratio and its long-term trend, has been chosen as the Early Warning Indicator ("**EWI**") for activating the CCyB. However, some economists have raised the issue that the credit-to-GDP gap is not the best EWI for banking crises or system vulnerabilities, especially for emerging markets (including the Philippines). Under the Bank of International Settlements ("**BIS**"), the CCyB is being phased in beginning on 1 January 2016 and will become fully effective on 1 January 2019.

On 6 December 2018, the BSP issued Circular No. 1024 which adopted the CCyB. For all UBs and KBs, with respect to the CET1 requirement, in addition to the minimum capital ratios, the following capital buffers shall likewise be imposed: (a) Capital conservation buffer ("**CCB"**) of 2.5%; and (b) CCyB of 0% subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed 2.5%. Any increase in the CCyB rate shall be effective 12 months after its announcement. Decreases, on the other hand, shall be effective immediately.

In October 2014, the BSP issued BSP Circular No. 855 which provides for new guidelines on sound credit risk management practices. The circular mandates banks to establish appropriate credit risk strategies and policies, processes and procedures including cash flow-based credit evaluation processes. The circular also mandates tighter provisioning guidelines. These are seen to increase costs as banks may have to upgrade their risk management systems and provisioning requirements.

Additionally, BSP Circular No. 855 sets the collateral value ("**CV**") for a loan backed up by real estate to only 60% of its appraised value. Banks will still be allowed to lend more than 60% of the CV; however, the portion above 60% will be considered unsecured, thus requiring banks to set up loan loss provisions accordingly. The CV ruling should not be mistaken for the loanable value ("**LV**"), which is the loan amount extended by banks to its borrowers. The current industry practice is a loan-to-value ("**LTV**") ratio of 70%-80%, which some banks may continue to grant provided that they have strict and consistent lending standards, adequate capital buffer and provisions. This new ruling, along with other BSP regulations intended to avert a property bubble, could result in an overall slowdown in lending to the real estate sector as banks adjust to these rulings.

To better monitor the banking industry's exposure to the property sector, the BSP in September 2012 approved guidelines that effectively widened the scope of banks' real estate exposures ("**REEs**") to include mortgages and loans extended to individuals to finance the acquisition and construction of residential real estate for own occupancy as well as land developers and construction companies for the development of socialized and low-cost

housing. Securities investments issued for purposes of financing real estate activities are also included under the new guidelines. Banks were required to submit the expanded report starting December 2012.

Further, on 27 June 2014, the BSP issued Circular No. 839 requiring banks to undergo real estate stress test ("**REST**") while setting prudential limits for banks' REEs to ensure that they have adequate capital to absorb potential losses to the property sector. Universal and commercial banks as well as thrift banks must meet a CAR of 10% of qualifying capital after adjusting for the stress test results. Further, universal and commercial banks and their thrift bank subsidiaries are required to maintain a level of CET1 capital that is at least 6% of qualifying capital after factoring in the stress scenario. In addition, banks are mandated to submit quarterly report of their real estate exposures, in line with the new REST capital requirements.

On 10 October 2017, the BSP issued Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

On 23 November 2017, the BSP issued Circular No. 983 that prescribes the reduction in the reserve requirement rate on repurchase transactions, as well as sets forth the features of the repurchase program that shall be eligible for the zero-reserve rate requirement. Deposit substitutes evidenced by repurchase agreements covering government securities that are transacted in an organised market under the Government Securities Repo Program shall be subject to the reserve requirement of 0% beginning the first week of December 2017.

On 23 April 2020, the BSP modified Section 252 (on composition of required reserves) of the MORB through Circular No. 1083. On 27 May 2020, Section 252 was further amended by Circular No. 1087. It provides allowable modes of alternative compliance with required reserves against deposit and deposit substitute liabilities, subject to certain conditions. These modes include certain peso-denominated loans that are granted to micro-, small- and medium enterprises as well as certain peso-denominated loans granted to large enterprises. The required reserves and the alternative modes of compliance in the current period (reference reserve week) shall be computed based on the corresponding levels of deposit and deposit substitute liabilities of the prior week. The use of the foregoing loans as allowable alternative compliance with the reserve requirements shall be available to banks until 31 December 2021.

Pursuant to BSP Memorandum No. M 2020-029, issued on 23 April 2020, MSME loans that are utilized as alternative compliance with reserve requirements shall be temporarily reported by Universal Banks under Investments in bonds and Other Debt Instruments.

On 28 April 2020, the BSP issued Memorandum No. M-2020-034 which relaxed the credit risk weight for loans to MSMEs under the BSP's risk-based capital adequacy frameworks. Banks' exposure to qualified MSMEs, those that meet the criteria and the current MSME exposures that do not qualify as a highly diversified MSME portfolio, will only be assigned a credit risk weight of 50%, down from 75% previously. The foregoing relaxation in the credit risk weight for loans to MSMEs under the BSP's risk-based capital adequacy frameworks shall apply until 30 June 2023, pursuant to Memorandum No. M-2022-041 issued by the BSP on 23 September 2022.

17.8 LIMITATIONS ON OPERATIONS

17.8.1 The Single Borrower's Limit

Except as prescribed by the Monetary Board for reasons of national interest, the total amount of loan, credit accommodations and guarantees (determined on the total credit commitment) that may be extended by a bank to any person or entity shall at no time exceed 25.0% of the net worth of the bank. The basis for determining compliance with the single borrower's limit ("**SBL**") is the total credit commitment of the bank to or on behalf of the borrower. The ceiling may be increased as follows:

- By an additional ten percent (10%) of the net worth of such bank, so long as the additional liabilities are adequately secured by trust receipts, shipping documents, warehouse receipts or other similar documents transferring or securing title covering readily marketable, non-perishable goods which must be fully covered by insurance;
- By an additional twenty-five percent (25%) of the net worth of such bank, provided that the additional loans, credit accommodations and guarantees are granted to entities, which act as value chain aggregators of the lending banks' clients, and/or economically-linked entities that are also actors/players in the value chain,; that the additional twenty five percent (25%) will apply only to non-DOSRI/RPT loans; and that such additional twenty-five percent (25%) shall only be for a period of three (3) years, subject to review after the said period.
- By an additional fifteen (15%) of the net worth of such bank subject to the following conditions:
    - The additional loans. credit accommodations and guarantees are for the purpose of financing eligible green or sustainable projects, including transitional activities to decarbonization, that meet any of the principles or eligible categories of projects laid out in Circular No. 1185 of the BSP (issued on 13 December 2023);
    - The lending bank shall ensure that the underlying project/activity is neither illegal nor breach any Philippine environmental laws and regulation;
    - The lending bank shall ensure that the standard prudential controls designed to safeguard its interest in the grant of financing to sponsors or owners are in place;
    - The additional fifteen percent (15%) shall apply only to non- DOSRI/subsidiary/affiliate loans, credit accommodations and guarantees;
    - The additional fifteen percent (15%) shall be allowed for a period of two (2) years from date of effectivity of Circular No. 1227 or until 05 January 2028; and
    - The credit risk concentration arising from total exposures to all borrowers pertaining to such eligible projects shall be considered by the bank in its internal assessment of capital adequacy relative to its overall risk profile and operating environment.

The limitations do not apply to secured obligations of the BSP or the Republic of the Philippines, those covered by assignment of deposits maintained in the lending bank and held in the Philippines, those under letters of credit to the extent covered by margin deposits and those which the Monetary Board may from time to time prescribe as non-risk items. On 5 July 2017, the BSP issued Circular No. 965, approving the guidelines on the exclusion from the Single Borrower's Limit of banks and QBs' short-term exposures to clearing and settlement banks arising from payment transactions.

In an effort to mitigate the adverse effects of the COVID-19 pandemic on the operations of BSFIs, the BSP issued BSP Memorandum No. M-2020-011 dated 19 March 2020 and Memorandum No. M-2020-057 dated 21 July 2020, which granted additional operational relief to BSFIs. The reliefs include an increase in this SBL from 25% to 30% until 31 March 2021.

On 22 July 2020, the BSP issued BSP Memorandum Circular No. 1091, excluding debt securities held by market makers from the SBL. The circular also said that the debt securities will be excluded from the SBL for a period of time, such as 90 days from date of acquisition if this happened on 1 August 2020 until 31 July 2021 or not exceeding 60 days if acquired 1 August 2021 and onwards.

On 5 January 2023, the BSP issued Circular No. 1164, outlining minimum operational requirements for credit risk transfer agreements. This BSP Circular provides for the definition of credit risk transfer and clarifies that loans and other credit accommodations or portions thereof covered by an effective credit risk transfer arrangement in the form of a guarantee or credit derivative that complies with the minimum operational requirements provided under the MORB shall be excluded from the total credit commitment of the bank to a borrower in reckoning compliance with the SBL. Meanwhile, the portion of the loans and other credit accommodations that is riot

covered by an effective credit risk transfer arrangement, if any, shall still form part of the credit commitment of the bank to the borrower in reckoning compliance with the SBL.

The limitations shall not apply to secured obligations of the BSP or the Republic of the Philippines, those covered by assignment of deposits maintained in the lending bank and held in the Philippines, those under letters of credit to the extent covered by margin deposits and those which the Monetary Board may from time to time prescribe as non-risk items.

On 13 December 2023, the BSP issued BSP Circular No. 1185, which, pursuant to the 11-point Sustainable Central Banking Strategy provides for the grant of additional single borrower's limit for financing eligible projects and zero percent reserve requirement rate against sustainable bonds. On 5 January 2026, the BSP issued Circular No. 1227 extending the period for regulatory incentives for another two (2) years.

17.8.2 Limitation on Transfer of Shares

Prior approval by the BSP is required for the transfers or acquisitions, or a series thereof, of at least ten percent (10%) of the voting shares in banks or quasi-banks. The selling or conveying stockholder shall submit such transfer or acquisition for approval by the BSP within such period as may be prescribed by the Monetary Board. In approving such transfers or acquisitions, regard shall be given by the BSP to the fitness of the incoming stockholders as may be indicated in their integrity, reputation and financial capacity.

Without BSP approval, no such transfer or acquisition shall have legal effect nor shall the same be recognized in the books of the institution or by any government agency, and the transferor-stockholders shall remain accountable and responsible therefor.

Transfer of actual control or management of the institution to the new stockholders or their representatives prior to BSP approval shall make the transferor, the transferee and any person responsible therefor liable under Sections 36 and 37 of the New Central Bank Act. Notwithstanding any provision of law to the contrary, the BSP may share with the Philippine Deposit Insurance Corporation any information that the BSP may obtain pertaining to transfer or acquisition of shares or series of transfers or acquisition of shares in banks and quasi-banks.

17.8.3 Limitation on DOSRI Transactions

No director or officer of any bank shall directly or indirectly, for himself or as the representative or agent of others, borrow from such bank nor shall he become a guarantor, endorser or surety for loans from such bank to others, or in the manner be an obligor or incur any contractual liability to the bank except with the written approval of the majority of all the directors of the bank, excluding the director concerned.

After due notice to the board of directors of the bank, the office of any officer or director who violates the DOSRI limitation may be declared vacant and such erring officer or director shall be subject to the penal provisions of the New Central Bank Act. The total outstanding loans, other credit accommodations, and guarantees to each of the bank's DOSRI shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the bank, provided that unsecured loans, other credit accommodations and guarantees to each of the bank's DOSRI shall not exceed thirty percent (30%) of their respective total loans, other credit accommodations and guarantees. The limitation excludes (a) loans, credit accommodations and guarantees secured by assets which the Monetary Board considers as non-risk; (b) loans, other credit accommodations and advances to officers in the form of fringe benefits granted in accordance with existing regulations; (c) loans, other credit accommodations and guarantees extended by a Coop Bank to its cooperative shareholders; and (d) he portion of loans and other credit accommodations covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, such as the International Finance Corporation and the Asian Development Bank.

On 2 June 2016, the Monetary Board approved the revisions to prudential policy on loans, other credit accommodations, and guarantees granted to DOSRIs. The Monetary Board approved the exclusion of loans, other credit accommodation and guarantees granted by a bank to its DOSRI for the purpose of project finance from the

30% unsecured individual ceiling during the project gestation phase, provided, that the bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

As a general rule, loan and other credit accommodation against real estate shall not exceed 60% of the appraised value of the real estate security plus 60% of the appraised value of the insured improvements, and such loans may be made to the owner of the real estate or to his assignees, except for the following which shall be allowed a maximum value of 70% of the appraised value of the insured improvements: (a) residential loans not exceeding ₱3.5 million to finance the acquisition or improvement of residential units; and (b) housing loans extended by or guaranteed under the Government's "National Shelter Program", such as the Expanded Housing Loans Program of the Home Development Mutual Fund and the mortgage and guaranty and credit insurance program of the Home Insurance and Guaranty Corporation. Prior to lending on an unsecured basis, a bank must investigate the borrower's financial position and ability to service the debt and must obtain certain documentation from the borrower, such as financial statements and tax returns. Any unsecured lending should be only for a time period essential for completion of the operations to be financed. Likewise, loans against chattels and intangible properties shall not exceed 75% of the appraised value of the security and such loans may be made to the title-holder of the unencumbered chattels and intangible properties or his assignee.

On 4 February 2008, the BSP issued Circular No. 600 removing interbank loans from the total loan base to be used in computing the aggregate limit on real estate loans and amending the inclusions and exclusions to be observed in the computation.

On 23 June 2016, the BSP issued Circular No. 914, Series of 2016 amending the prudential policy on loans, other credit accommodations, and guarantees granted to DOSRI, subsidiaries and affiliates. Circular No. 914 has raised the ceilings on the exposures of subsidiaries and affiliates of banks to priority programs particularly infrastructure projects under the Philippine Development Plan / Public Investment Program ("**PDP/PIP**") needed to support economic growth. The exposures to subsidiaries and affiliates in PDP/PIP projects will now be subject to higher individual and unsecured limits of 25% instead of 10% and 12.5% instead of 5% of the net worth of the lending bank, respectively, subject to conditions. Further, the circular also provides for a refined definition of "related interest" and "affiliates" to maintain the prudential requirements and preempt potential abuse in a borrowing transaction between the related entities. The circular also amends the capital treatment of exposures to affiliates by weighing the risk of both the secured and unsecured loans granted to the latter.

On 10 October 2017, the BSP issued Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans. The BSP has since issued Circular No. 1093, Series of 2020, which increased the real estate loan limit of universal banks and commercial banks to twenty five percent (25%).

On 27 October 2017, the BSP issued Circular No. 978 which provided for exclusion of the portion of loans and other credit accommodation covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, from the ceilings on total outstanding loans, other credit accommodations and guarantees granted to banks' subsidiaries and affiliates. BSP Circular No. 978 excluded the following in determining compliance with the ceilings provided under Circular No. 914: (1) Loans, other credit accommodations and guarantees secured by assets considered as non-risk under existing BSP regulations; (2) Interbank call loans; and (3) The portion of loans and other credit accommodations covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, such as the International Finance Corporation and the Asian Development Bank.

17.8.4 Limitation on Investments

The total investment of a universal bank in equities of allied and non-allied enterprises shall not exceed 50% of its net worth. Moreover, the equity investment in any one enterprise whether allied or non-allied, shall not exceed 25% of the net worth of the universal bank. Net worth for this purpose is defined as the total unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation reserves and other adjustments as may be required by BSP. The Monetary Board must approve such acquisition of equities. Further, the BSP may impose conditions on any approval of a major investment and has the authority to seek corrective action.

A universal bank can own up to 100% of the equity in a digital bank, thrift bank, a rural bank or a financial or non-financial allied enterprise. A publicly listed universal bank, such as the Bank, may own up to 100% of the voting stock of only one other universal or commercial bank. However, with respect to non-allied enterprise, the equity investment in such enterprise by a universal bank shall not exceed 35% of the total equity in the enterprise nor shall it exceed 35% of the voting stock in that enterprise.

A bank's total investment in real estate and improvements including bank equipment shall not exceed 50% of the combined capital accounts. Further, the bank's investment in another corporation engaged primarily in real estate shall be considered as part of the bank's total investment in real estate, unless otherwise provided by the Monetary Board.

The limitation stated above shall not apply with respect to real estate acquired by way of satisfaction of claims. However, all these properties must be disposed by the bank within a period of five (5) years or as may be prescribed by the Monetary Board. In addition, the Monetary Board recently approved BSP Circular No. 1042, series of 2019 containing the guidelines on sound risk management practices pertaining to investment activities of a bank.
Under the New Central Bank Act, the BSP requires banks to maintain cash reserves and liquid assets in proportion to deposits in prescribed ratios. If a bank fails to meet this reserve during a particular week on an average basis, it must pay a penalty to BSP on the amount of any deficiency.

The BSP regularly issues circulars adjusting the rates of required reserves against deposit and deposit substitute liabilities in local currency which banks are required to maintain. Based on the latest BSP Circulars in relation to the changes in the rates of reserve requirements (i.e., BSP Circular Nos. 1175, 1176, 1185, 1201, 1211, and 1229), universal and commercial banks are required to maintain regular reserves of: (a) 5% against demand deposits, negotiable order of withdrawal ("**NOW**") accounts, savings deposits (excluding basic deposit accounts), time deposit, negotiable certificates of time deposits ("**CTDs**"), long-term negotiable tax exempt CTDs, deposit substitutes, Peso deposits lodged under due to foreign banks, and Peso deposits lodged under due to head office/branches/agencies abroad (Philippine branch of a foreign bank); and (b) 0% against deposit substitutes evidenced by repurchase agreements, and long-term negotiable certificates of time deposits.

The reserve requirements against deposit and deposit substitute liabilities (i.e., demand deposits, NOW accounts, savings deposits, time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs and deposit substitutes) in local currency for the other types of banks are as follows: (a) 2.5% for digital banks; (b) 0% for thrift banks, rural banks, and cooperative banks. BSP Circular 1211 also provides that digital banks are required to maintain reserves of 5% against Peso deposits lodged under due to foreign banks, and Peso deposits lodged under due to head office/branches/agencies abroad (Philippine branch of a foreign bank).

In addition, universal, commercial, digital and thrift banks are also required to maintain regular reserves of: (a) 0% against green, social sustainable bonds as defined under the relevant regulations of the Philippine SEC or other relevant regional or international standards acceptable to the market (Sustainable Bonds), (b) 2% against bonds other than Sustainable Bonds; and (c) 0% against basic deposit accounts as defined under Section 213 of the MORB and for interbank call loan transactions ("**IBCL**").

On 24 September 2024, the BSP announced that it will again reduce RRRs to support its continuing efforts to reduce distortions in the financial system, lower intermediation costs, and promote better pricing for financial services. Beginning 25 October 2024, the RRR against demand deposits, NOW accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable CTDs, long-term non-negotiable tax-exempt CTDs, deposit substitutes, Peso deposits lodged under due to foreign banks and Peso deposits lodged under due to head office/branches/agencies abroad of banks (Philippine branch of a foreign bank) applicable to (i) universal and commercial banks and non-bank financial institutions with quasi-banking functions, shall be reduced from 9.5% to 7.0%, (ii) digital banks shall be reduced from 6.0% to 4.0%, (iii) thrift banks shall be reduced from 2.0% to 1.0%, and (iv) rural and cooperative banks shall be reduced from 1.0% to 0.0%. On 28 March 2025, the BSP reduced the RRR further to: (i) 5.0% for universal and commercial banks and non-bank financial institutions with quasi-banking functions, (ii) 2.5% for digital banks, and (iii) 0.0% for thrift banks.

On 23 April 2020 and 27 May 2020, the BSP issued Circular Nos. 1083 and 1087 which modified the composition of required reserves under Section 252 of the MORB. The foregoing BSP Circulars provided allowable modes of alternative compliance with required reserves against deposit and deposit substitute liabilities, subject to specific conditions. These modes include certain Peso-denominated loans granted to micro, small, and medium enterprises ("**MSMEs**") as well as certain Peso-denominated loans granted to large enterprises. The required reserves and the alternative modes of compliance for the current period (reference reserve week) are computed based on the corresponding levels of deposit and deposit substitute liabilities of the previous week. Banks can use the specified loans as allowable alternative compliance with reserve requirements until 31 December 2021.

According to BSP Memorandum No. M-2020-029, issued on 23 April 2020, MSME loans used as alternative compliance with reserve requirements must be temporarily reported by universal banks under "Investments in Bonds and Other Debt Instruments".

However, starting 01 July 2024, universal and commercial banks shall no longer be allowed to use MSME loans as alternative compliance with the reserve requirements.

17.8.5 Prohibition to act as Insurer

ebank is prohibited from directly engaging in insurance business as the insurer.

17.8.6 Permitted Services

In addition to the operations incidental to its banking functions, a bank may perform the following services:

- receive in custody funds, documents and valuable objects;
- act as financial agent and buy and sell, by order of and for the account of their customers, shares evidences of indebtedness and all types of securities;
- upon prior approval of the Monetary Board, act as the managing agent, adviser, consultant or administrator of investment management/advisory/consultancy accounts; and
- rent out safety deposit boxes.

The AMLA requires covered institutions such as banks including its subsidiaries and affiliates, to provide for customer identification, record keeping and reporting of covered and suspicious transactions. Under its provisions, as amended, certain financial intermediaries including banks, offshore banking units, QBs, and all other institutions including their subsidiaries and affiliates supervised and/or regulated by the BSP, and insurance companies and/or institutions regulated by the Insurance Commission, are required to submit a "covered" transaction report involving a single transaction in cash or other equivalent monetary instruments in excess of ₱0.5 million within one banking day.

Republic Act No. 10167 has expanded the coverage of the Anti-Money Laundering Council ("**AMLC**") to enable inquiries into so-called "related accounts," defined as: "funds and sources of which originated from and/or are

materially linked to the monetary instrument(s) or property(ies) subject of the freeze order(s)." the high threshold level for covered transactions, the coverage of "covered institutions" and the existing Bank Secrecy Law, the amendments to the Anti-Money Laundering Act of 2001 were signed into law on 7 March 2003 under Republic Act No. 9194. The amendments included the following: (i) lowering the threshold for covered transactions to ₱500,000; (ii) authorizing the BSP to inquire or examine any deposit or investment with any banking institution without court order in the course of a periodic or special It also addressed concerns such as examination; and (iii) removing the provision prohibiting the retroactivity of the law.

On 15 February 2013, Republic Act No. 10365, which took effect on 7 March 2013, expanded the AMLA covered institutions and crimes. The revised implementing rules and regulations were published on 23 and 24 December 2016.

On 15 March 2017, the BSP issued BSP Circular No. 950 to amend the Manual in order to effectively implement the provisions of the AMLA, as amended, and the revised implementing rules and regulations of the AMLA.

On 27 November 2018, the 2018 Implementing Rules and Regulations of the Anti-Money Laundering Act of 2001 took effect. This incorporated the amendments under Republic Act No. 10972, which included casinos as covered persons. However, implementation by casinos of Anti-Money Laundering Act of 2001 will continue to be governed by the existing Casino Implementing Rules and Regulations. These implementing rules and regulations feature new rules on the AMLC's coordination with law enforcement agencies, beneficial ownership, customer due diligence, and national risk management and assessment, among others. In relation thereto, on 14 January 2019, BSP issued Circular Letter No. CL-2019-002, addressed to all BSFIs of the guidelines issued by the AMLC on digitization of customer records and identification of beneficial owners. On 29 January 2020, the AMLC issued AMLC Regulatory Issuance ("**ARI**") A, B, and C No. Series of 2020, which amends certain provisions of the 2018 Implementing Rules and Regulations of Republic Act No. 9160, as amended. The ARI added provisions on immediate family members and close associates of politically-exposed persons ("**PEP**s"), and expanded the definition of a customer or client to include juridical persons. Such resolution also provided that the suspicious transaction report shall cover all transactions, whether completed or attempted, and shall be promptly filed within the next working day from the occurrence thereof.

Covered transactions are single transactions in cash or other equivalent monetary instrument involving a total amount in excess of ₱500,000.00 within one banking day.

Suspicious transactions are transactions with covered institutions such as a bank, regardless of the amount involved, where any of the following circumstances exists:

- there is no underlying legal or trade obligation, purpose or economic justification;
- the customer or client is not properly identified;
- the amount involved is not commensurate with the business or financial capacity of the client;
- taking into account all known circumstances, it may be perceived that the client's transaction is structured in order to avoid being the subject of reporting requirements under the Act
- any circumstance relating to the transaction which is observed to deviate from the profile of the client and/or the client's past transactions with the covered person
- the transaction is in any way related to an unlawful activity or offense under this Act that is about to be, is being or has been committed
- similar or analogous transactions to the above.

Failure by any responsible official or employee of a bank to maintain and safely store all records of all transactions of the bank, including closed accounts, for five years from date of transaction/closure of account shall be subject to a penalty of six months to one-year imprisonment and/or fine of ₱500,000.00.

Malicious reporting of completely unwarranted or false information relative to money laundering transaction against any person is punishable by six months to four years imprisonment and a fine of one hundred thousand pesos (₱100,000.00) but not more than five hundred thousand pesos (₱500,000.00). Pursuant to the authority delegated to it by Congress under the implementing rules & regulations of Republic Act No. 9160, as amended by Republic Act No. 9194, the Anti-Money Laundering Council promulgated the Rules on the Imposition of Administrative Sanctions which took effect on 9 August 2017. The AMLC also approved the 2018 Implementing Rules and Regulations of the Anti-Money Laundering Act which took effect last 27 November 2018.

In compliance with the law, banks, their officers and employees are prohibited from communicating directly or indirectly to any person or entity, the media, the fact that a covered or suspicious transaction has been reported or is about to be reported, the contents of the report, or any information relating to such report. Neither may such report be published or aired in any manner or form by the mass media, electronic mail, or other similar devices. A violation of this rule is deemed a criminal act.

Money laundering is committed by any person who, knowing that any monetary instrument or property represents, involves, or relates to the proceeds of any unlawful activity:

1. transacts said monetary instrument or property;
2. converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;
3. conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;
4. attempts or conspires to commit money laundering offenses referred to in paragraphs (a), (b) or (c);
5. aids, abets, assists in or counsels the commission of the money laundering offenses referred to in paragraphs (a), (b), or (c) above; and
6. performs or fails to perform any act as a result of which the person facilitates the offense of money laundering referred to in paragraphs (a), (b), or (c) above.

Money laundering is also committed by any covered person who, knowing that a covered or suspicious transaction is required under this Act to be reported to the Anti-Money Laundering Council, fails to do so.

Pursuant to Republic Act No. 11521, the AMLA was further amended to strengthen the AMLC's authority to obtain or issue freeze orders, prescribe the procedure and period for their issuance and review, limit their coverage to the amount found to be probable proceeds of a predicate offense, prohibit injunctive relief except by the Supreme Court, and authorize the AMLC to issue ex parte freeze orders in relation to targeted financial sanctions on the proliferation of weapons of mass destruction and its financing.

BSP Circular No. 1003, issued on 16 May 2018, outlined the Guidelines on the Establishment and Operations of Bank and Non-Bank Credit Card Issuers to implement Republic Act No. 10870, also known as the Philippine Credit Card Industry Regulations Law.

The Framework for Basic Deposit Accounts, found in BSP Circular No. 992 dated 1 February 2018, was issued, with a view towards promoting account ownership among the unbanked by imposing no minimum maintaining balance and an opening amount of not more than ₱100.00. It also supports the National Retail Payments System, which aims to promote digital payments in the country. On 5 October 2018, BSP issued Memorandum No. M2018-27, prescribing guidelines on the electronic submission of the updated reports arising from Circular No. 992.

On 26 November 2018, the BSP issued BSP Circular No. 1022 where the BSP recognized the Philippine Identification System (PhilSys) ID card as an official document for financial transactions. The BSP also included a person's PhilSys number as part of the minimum information to be collected by financial institutions before carrying out a transaction and allowed the use of information and communication technology to "capture and record" personal data of customers.

BSP Circular No. 1049, Series of 2019, which implements RA No. 11127 on The National Payment Systems Act, allows banks to function as an Operator of Payment Systems ("OPS"). Banks can register as an OPS by notifying the BSP of their OPS activities.

An OPS is a person that performs any of the following functions:

- maintains the platform that enables payments or fund transfers, regardless of whether the source and destination accounts are maintained with the same or different institutions;
- operates the system or network that enables payments or fund transfers to be made through the use of a payment instrument;
- provides a system that processes payments on behalf of any person or the government; and
- such other activities similar to the foregoing.

On March 14 2024, the BSP issued Circular No. 1191, creating the Manual of Regulations for Payment Systems (MORPS). The MORPS is a comprehensive regulatory framework that consolidates the rules governing payment systems in the Philippines, and prescribes guidelines on matters such as registration, governance, risk management, and compliance obligations.

On 19 July 2024, the BSP issued Circular No. 1198 on the Regulatory Framework for Merchant Payment Acceptance Activities. Under this Circular, entities, including banks, are required to secure an authority from the BSP prior to engaging in merchant acquisition in the Philippines or providing the service of accepting and processing payment transactions on behalf of a merchant under an agreement, resulting in a transfer of funds to the merchant. Based on this Circular, banks with concurrent OPS licences that are engaged in or intending to engage in merchant payment acceptance activities are expected to adhere to the more stringent requirements between the guidelines under BSP Circular 1198 and the applicable provisions of the MORB.

On 20 July 2024, RA No. 12010, or the Anti-Financial Account Scamming Act (AFASA), was signed into law. The goal of the AFASA was to combat financial cybercrimes, safeguard the interests of financial consumers, and uphold the integrity of the financial system.

The AFASA authorizes the BSP to investigate violations of the law, apply for cybercrime warrants, and collaborate with law enforcement agencies in the investigation of cases covered by the law. It provides the BSP limited authority to examine and investigate bank accounts, e-wallets, and other financial accounts that are involved in the prohibited acts under the law, which includes engaging in money muling activities and social engineering schemes.

Under the AFASA, money muling activities are prohibited, which includes the following acts for the purpose of obtaining, receiving, depositing, transferring, or withdrawing proceeds that are known to be derived from crimes, offenses, or social engineering schemes: (i) using, borrowing or allowing the use of a financial account; (ii) opening a financial account under a fictitious name or using the identity or identification documents of another; (iii) buying or renting a financial account; (iv) selling or lending a financial account; or (v) recruiting, enlisting, contracting, hiring, utilizing or inducing any person to perform the acts mentioned in items (i) to (iv) above.

Meanwhile, social engineering schemes is committed by a person who obtains sensitive identifying information of another person, through deception or fraud, resulting in unauthorized access and control over the person's Financial Account, by performing any of the following acts: (i) misrepresenting oneself as acting on behalf of an Institution, or making false representations to solicit another person's sensitive identifying information; or (ii) using electronic communications to obtain another person's sensitive identifying information.

The aforementioned acts shall be considered as economic sabotage when committed under any of the following circumstances: (i) by a group of three (3) or more persons conspiring or confederating with one another; (ii)

against three (3) or more persons individually or as a group; (iii) using a mass mailer; or (iv) through human trafficking.

Under the AFASA, financial institutions have the obligation to employ adequate risk and fraud management systems to ensure that their clients' financial accounts are protected and temporarily hold funds subject of a disputed transaction within a period prescribed by the BSP, which shall not exceed thirty (30) days, unless otherwise extended by a court of competent jurisdiction.

The BSP issued Circular No. 1215 (Series of 2025) to operationalize the relevant provisions in AFASA and to amend provisions in the MORB, MORNBFI, and MORPS, as applicable.

On 16 June 2026, the BSP issued Circular No. 1237 which set out the regulatory framework for the participation of BSFIs in digital financial marketplaces through, among others, offering their own financial products and services in such marketplaces or platforms. The Circular covers products such as deposits, loans, payment services, e-money, certain insurance products, and plain-vanilla investment products, while prohibiting the offering of gambling-related products and services through these platforms. The Circular also places primary responsibility on the BSFI operating the marketplace, requiring BSFIs to conduct due diligence on third-party providers, implement appropriate governance and risk management controls, ensure clear disclosure of the provider of each product, obtain customer consent before sharing customer data, and maintain effective complaint-handling mechanisms.

On 17 June 2026, the BSP issued Circular No. 1238, which amended the provisions on the National Retail Payment System ("**NRPS**") Framework and the regulatory framework for OPS with Merchant Acquisition Licenses ("**OPS-MALS**"). In particular, the BSP mandated BSFIs to adopt a reasonable and fair market-based mechanism for imposing fees on e-payment transactions, which must not arise from non-competitive agreements with other BSFIs and must be supported by an analysis of actual costs in delivering e-payment products and services. As such, the fee structures for e-payments should not result in one user group unreasonably subsidizing that of another, and are expected to be lower than the fees set for manual transactions or over-the-counter e-payments. Similarly, OPS-MALS operating under the NRPS Framework are also required to adopt pricing mechanisms based on actual cost analysis. The Circular also tightened merchant due diligence procedures for OPS-MALS by requiring, among others, sanctions screening of the merchant, authorized signatories, and beneficial owners.

17.9 TAXATION OF BANKS

Taxation of banks in the Philippines is governed by the Tax Code, which underwent several amendments through the years. The latest amendment is the CMEPA, which was signed into law on 29 May 2025 and took effect on 1 July 2025.

A key reform under the CMEPA is the uniform tax treatment of short-term and long-term bonds. The law provides for a standard final withholding tax rate of 20% on interest income for all bondholders, except for non-resident aliens not engaged in trade or business and non-resident foreign corporations, both of whom shall continue to be subject to their currently applicable final withholding tax rate of 25%. Accordingly, CMEPA removed preferential tax rates and exemptions for long-term deposits or investments in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts, and other investments with a maturity period of not less than five (5) years. Similarly, gains realized by individual or corporate Bondholders on the sale or exchange or retirement of Bonds with a maturity of more than five (5) years no longer exempt from Philippine income tax and are now included in the computation of a Bondholder's gross income.

Notably, the transitory provision of the CMEPA provides that any tax exemption and preferential rate on financial instruments issued or transacted prior to 1 July 2025 shall be subject to the prevailing tax rate at the time of its issuance for the remaining maturity of the relevant agreement.

Generally, banks are subject to regular corporate income tax, based on their taxable income at a tax rate of 25%. Taxable net income refers to items of income specified under Section 32 (A) the Tax Code less the items of allowable deductions under Section 34 of the Tax Code or those allowed under special laws.

A Minimum Corporate Income Tax ("**MCIT**") equivalent to 2% of the gross income of a bank is payable beginning on the fourth year of operations of the bank only if the MCIT is greater than the regular corporate income tax. Any excess MCIT paid over the regular corporate income tax can be carried forward as tax credit for the three immediately succeeding years. For purposes of MCIT, the bank's gross income means: (a) gross receipts less sales returns, allowances, discounts and cost of services, including interest expense; and (b) income derived from other businesses except income exempt from income tax and income subject to final tax. Under the CREATE Act, however, the MCIT rate is lowered to 1% of gross income for the period commencing 1 July 2020 and ending 30 June 2023.

Interest income derived by banks from its lending activities is considered ordinary income of banks subject to 25% corporate income tax. However, the banks' passive income (i.e., those not arising from its lending activities) such as interest income earned from investments is subject to final withholding tax of 20%.

Banks may claim interest expense as tax deduction if such expense complies with the requirements laid down in Revenue Regulations No. 13-00. Such interest expense is reduced by 20% of the interest income subjected to final tax.

However, the Tax Code does not allow banks to deduct interest expense or bad debts arising from transactions with the following:

- an individual who directly or indirectly owns more than 50% in value of the outstanding capital stock of the bank; and
- a corporation, more than 50% in value of the outstanding capital stock of which is owned directly or indirectly, by or for the same individual in sub-paragraph (a), either as a personal holding company or a foreign personal holding company.

Pursuant to Revenue Regulations No. 05-99 (as amended by Revenue Regulations No. 25-02), in order for banks to claim bad debts as tax deductions, they must submit a written approval from the BSP stating that the indebtedness can be written off from the banks' books of accounts at the end of the taxable year, subject to the final determination by the BIR that bad debts being claimed by the banks are worthless and uncollectible. However, on 29 October 2014, the BSP issued Circular No. 855 which provides that notice of write-off of problem credits shall be submitted in the prescribed form to the BSP through the appropriate Central Point of Contact within 30 business days after every write-off with a sworn statement signed by the President of the financial institution or officer of equivalent rank that the write-off did not include transactions with DOSRI and was undertaken in accordance with board-approved internal credit policy. Based on the said circular, a notice to the BSP would suffice, and that BSP approval with respect to a write-off of a bad debt not related to a DOSRI transaction, is no longer required.

Aside from regular income tax, banks are also subject to percentage tax, particularly Gross Receipts Tax ("**GRT**") which is a tax levied on the gross receipts of banks and non-bank financial intermediaries. On 13 June 2016, the BIR issued Revenue Memorandum Circular No. 62-2016 ("**RMC 62-2016**") seeking to clarify the tax treatment of GRT, which is passed on by banks through contractual stipulations to their clients. RMC 62-2016 provides that if under a contract the GRT is passed on to the client, such passed-on GRT should be treated as gross income and should itself be subject to a GRT of either 5% or 7% depending on the provision of the Tax Code covering the type of income or activity.

Notably, Improperly Accumulated Earnings Tax ("**IAET**"), which is the tax imposed in case a corporation maintains retained earnings in excess of 100% of paid in capital, is no longer imposable as it was repealed by the CREATE Act.

Certain assets and liabilities peculiar to banks are also subject to different tax treatments. For instance, Real and Other Properties Acquired ("**ROPA**") of banks are considered as ordinary assets. The income derived from their sale is subject to the regular corporate income tax of 25%. Moreover, the transaction is subject to a 6% creditable withholding tax based on the highest among the: (a) zonal value, (b) value in the tax declaration, or (c) selling price, which shall be withheld by the buyer and can be used as a credit against the bank's taxable income in the year that the gain is realized. Meanwhile, interbank call loans ("**IBCL**"), which is a type of liability of banks intended to cover deficiency in reserves against deposit liabilities, is exempt from documentary stamp tax ("**DST**") if they have a maturity of not more than seven (7) days.

SECTION 18. OFFER PROCEDURES

18.1 METHOD OF DISTRIBUTION

The Bonds are being issued pursuant to Section 246 of the Manual of Regulations for Banks, as amended to date. The issuance of the Bonds is exempt from the registration requirement under the Securities Regulation Code pursuant to Section 9.1(e) thereof.

No action has been or will be taken by the Bank or the Joint Lead Arrangers and Joint Bookrunners, in any jurisdiction (other than the Philippines), that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular, or any amendment or supplement thereto issued in connection with the offering of the Bonds, in any country or jurisdiction where action for that purpose is required.

The Joint Lead Arrangers and Joint Bookrunners are required to comply with all laws, regulations and directives as may be applicable in the Philippines, including without limitation any regulations issued by the BSP, in connection with the offering and purchase of the Bonds and any distribution and intermediation activities, whether in the primary or secondary markets, carried out by or on behalf of the Joint Lead Arrangers and Joint Bookrunners in connection therewith.

The Joint Lead Arrangers and Joint Bookrunners are third-parties in relation to the Bank, such that, (i) the Joint Lead Arrangers and Joint Bookrunners have no subsidiary/affiliate relationship with the Bank; and (ii) the Joint Lead Arrangers and Joint Bookrunners are not related in any manner to the Bank as would undermine the objective conduct of due diligence on the Bank. The Registrar and Paying Agent is likewise a third-party in relation to the Bank, such that, (i) it has no subsidiary/affiliate relationship with Bank; and (ii) it is not related in any manner to Bank as would undermine its independence.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Arrangers and Joint Bookrunners or any affiliate of the Joint Lead Arrangers and Joint Bookrunners is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Arranger and Joint Bookrunner or its affiliate on behalf of the Bank in such jurisdiction.

The Joint Lead Arrangers and Joint Bookrunners and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Joint Lead Arrangers and Joint Bookrunners may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Bank or its subsidiaries, jointly controlled entities or associated companies and may be paid fees in connection with such services from time to time. In the ordinary course of their various business activities, the Joint Lead Arrangers and Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of the Bank or its subsidiaries, jointly controlled entities or associated companies.

The Joint Lead Arrangers and Joint Bookrunners and/or their affiliates may purchase Bonds for their own account (including but not limited for asset management and/or proprietary purposes) and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Bank or its respective subsidiaries or associates at the same time as the offer and sale of the Bonds, or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

18.2 APPLICATIONS TO PURCHASE THE BONDS DURING THE OFFER PERIOD

In general, the Bonds may be issued or transferred to: (a) any person of legal age, regardless of nationality or residency, and (b) any corporation, association, partnership, trust account, fund or entity, regardless of place of incorporation, domicile, or residency, except, in each case, to any Prohibited Bondholder (each such prospective eligible purchaser, an "**Eligible Bondholder**").

Eligible Bondholders may purchase the Bonds during the Offer Period by submitting fully and duly accomplished Application to Purchase ("**ATP**") forms, in triplicate, together with all the required attachments and the corresponding payments to the Selling Agent from whom such application was obtained no later than 5:00 p.m. of the last day of the Offer Period. ATPs received after said date or without the required attachments will be rejected. Any Application improperly or incompletely accomplished may likewise be rejected.

Only ATPs which are accompanied by payment in the form of cash or manager's checks made out to the order of Bank of Commerce, ING, PCCI Capital, Security Bank Capital, and Standard Chartered Bank debit instructions or such other forms of instructions that are acceptable to the relevant Selling Agent and which cover the entire purchase price shall be accepted. In addition to duly executed ATP forms, each Eligible Bondholder shall submit the following documents to the Selling Agents:

18.2.1 Documents to be provided by individuals

- Copies of at least one valid identification document ("**ID**") of the Eligible Bondholder that is acceptable to the Selling Agents and the Issuer, including those enumerated in the Application to Purchase for each Tranche; and
- two duly accomplished signature cards containing the specimen signature of the Eligible Bondholder.

18.2.2 Documents to be provided by corporate and institutional applicants

- an original notarized certificate of the Corporate Secretary of the Eligible Bondholder setting forth resolutions of its Board of Directors authorizing the purchase of the Bonds, and designating the signatories, with their specimen signatures, for the said purposes;
- copies of the Eligible Bondholder's articles of incorporation and by-laws (or equivalent documents) and latest amendments thereof, together with the certificate of incorporation issued by the Securities and Exchange Commission (or equivalent agency), stamped and signed as certified as true copies by such agency or by the Corporate Secretary (or duly authorized equivalent officer) of the applicant; and
- two duly accomplished signature cards containing the specimen signatures of the persons designated as authorized signatories of the Eligible Bondholder for purposes of investing in the Bonds, validated by the Eligible Bondholder's Corporate Secretary (or duly authorized equivalent officer), and further validated or signed by the relevant Selling Agent's authorized signatories whose authority and specimen signatures have been submitted to the Registrar.

18.2.3 Additional documents to be provided by Tax-Exempt Holders

- valid original or certified true copy of the Tax Exempt/Treaty Documents confirming the Bondholder's exemption from taxation of interest on fixed income securities;
- affidavit of undertaking executed by the Bondholder in substantially the form attached as Schedule 7-A or 7-B of the Terms and Conditions of Bonds to the Registry and Paying Agency Agreement (depending on whether the Bondholder is a juridical entity or an individual), upon the terms of which the Bondholder claiming the tax-exemption shall warrant its tax-exempt status or entitlement to reduced treaty rates, shall undertake to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges, shall instruct the Issuer and the Registrar and Paying Agent not to withhold any taxes from interest payments due to such holder, and shall undertake to

indemnify the Issuer and the Registrar and Paying Agent for any tax or other charges that may later on be assessed against the Issuer by the BIR on account of the non-withholding of taxes on the Bonds held by the Bondholder; and

- such other documentary requirements as may be reasonably required under the Registry and Paying Agency Agreement, or by the Registrar, the Bank and the Selling Agents as proof of the Eligible Holders' tax-exempt status or as may be required under the applicable regulations of the relevant taxing or other authorities.

In addition to the foregoing, the Issuer, Joint Lead Arrangers and Joint Bookrunners, Selling Agents, Trustee and Registrar and Paying Agent may each request such other documents from an Eligible Bondholder in order to establish his/her/its eligibility as a Bondholder of the Bonds, his/her/its exemption from taxation of income or to comply with applicable requirements of the Governing Regulations and applicable Anti-Money Laundering and Anti-Terrorism Financing Laws.

18.3 ALLOCATION AND ISSUE OF THE BONDS

Applications to purchase the Bonds shall be subject to the availability of the Bonds and acceptance by the Bank. The Joint Lead Arrangers and Joint Bookrunners, in consultation with the Bank, may accept, reject, scale down, or reallocate any application to purchase the Bonds applied for.

In the event that payment supporting any ATP is returned by the drawee bank for any reason whatsoever or the nominated bank account to be debited is invalid, the ATP shall be automatically cancelled and any prior acceptance of the ATP shall be deemed revoked. If any ATP is rejected or accepted in part only, the corresponding portion of the tendered purchase price will be returned without interest by the relevant Selling Agent.

On the Issue Date, the Selling Agents shall, on behalf of the Bank, accept the relevant ATPs. The acceptance of an ATP shall ipso facto convert such ATP into a purchase agreement between the Bank and the relevant Holder.

Upon confirmation by the Bank of acceptance of the relevant applications and the respective amounts of Bonds, the Selling Agents shall issue the relevant purchase advice as applicable (the "**Purchase Advice**") to successful applicants confirming the acceptance of their offer to purchase the Bonds and consequent ownership thereof and stating the pertinent details including the amount accepted, and shall furnish a copy of the Purchase Advice to the Registrar.

The Registrar shall rely solely on the Sales Report submitted by the Selling Agents in its preparation of the Registry and the issuance of the Registry Confirmation for each Holder. Within seven (7) Banking Days from the Issue Date, the Registrar shall distribute the Registry Confirmations directly to the Holders in the mode elected by the Holder as indicated in the Sales Report.

18.4 TRANSACTIONS IN THE SECONDARY MARKET

All secondary trading of the Bonds shall be coursed the trading facilities of PDEx, as applicable, subject to the payment by the Bondholder of the applicable fees and charges of PDEx and the Registrar. Trading and transfers of Bonds shall be subject to the procedures of the BSP, the Registrar and Paying Agent, and PDEx, including, but not limited to, the guidelines on minimum trading lots, minimum holding denominations, and record dates.

The Bank shall list the Bonds on PDEx for secondary market trading. Upon listing of the Bonds, investors shall course their secondary market trades through the trading participants of PDEx for execution in the PDEx Trading Platform in accordance with the PDEx Trading Rules, Conventions and Guidelines, as these may be amended or supplemented from time to time, and must settle such trades on a Delivery versus Payment ("**DvP**") basis in accordance with PDEx Settlement Rules and Guidelines. The secondary trading of the Bonds in PDEx may be subject to such fees and charges of PDEx, the trading participants of PDEx, and other providers necessary for the

completion of such trades. Transactions on the Bonds on PDEx will be subject to the duly approved and relevant rules of the exchange, including guidelines on minimum trading lots and other guidelines for holding and trading of the Bonds as may be prescribed by the BSP.

For the avoidance of doubt, the minimum denomination for the Bonds as specified in the Terms and Conditions of the Bonds and/or Pricing Supplement must be observed at all times. Consequently, no negotiation or secondary trading will be allowed if the result is that a remaining Bondholder of the Bonds will hold less than the prescribed minimum denomination.

No transfers will be effected for a period of two (2) Business Days preceding the due date for any payment of interest on the Bonds, or during the period of two (2) Business Days preceding the due date for the payment of the principal amount of the Bonds.

Secondary market trading in PDEx shall follow the applicable PDEx rules, conventions, and guidelines governing trading and settlement between bondholders of different tax status and shall be subject to the relevant fees and charges of PDEx and PDTC.

The Registrar shall register any transfer of the Bonds upon presentation to it of the following documents in form and substance acceptable to it:

- The relevant Trade-Related Transfer Form or Non-Trade Transfer Form as the case may be, duly accomplished by the transferor and endorsed by the PDEx Trading Participant;
- The relevant Purchase Advice of the buyer/transferee (with the information provided therein duly set forth in typewritten form);
- Duly accomplished Investor Registration Form of the buyer/transferee as prescribed by the Registrar as well as all supporting documents described for the original issuance of the Bonds as described above (in case of a new holder);
- Proof of the qualified tax-exempt status of the transferee, if applicable, and the covering Affidavit of Undertaking;
- The original duly endorsed signature cards of the buyer/transferee and such other original or certified true copies of other documents submitted by the buyer/transferee in support of the transfer or assignment of the Bonds in its favor;
- The appropriate secretary's certificate attesting to the board resolutions authorizing the transfers and acceptances as well as designating the authorized signatories, together with specimen signature cards duly signed by the parties, and duly authenticated by each party's corporate secretary; and
- Such other documents that may be required by the Registrar, including those for Non-Trade Transactions.

Transfers of the Bonds in violation of the restrictions on transfer under the Terms and Conditions shall be null and void and shall not be registered by the Registrar.

18.5 INTEREST AND PRINCIPAL PAYMENT

On the relevant Payment Date, the Paying Agent shall, upon receipt of the corresponding funds from the Bank, make available to the Bondholders the amounts net of taxes and fees (if any), by way of direct credits to the bank accounts through the identified Cash Settlement Banks by the Holders as reflected in the Application to Purchase.

18.6 SCHEDULE OF REGISTRY FEES

The Registrar and Paying Agent shall be entitled to charge the Bondholders and/or their counterparties such reasonable fees as the Registrar and Paying Agent shall prescribe in connection with the services that the Registrar and Paying Agent shall perform, such as, but not limited to, the opening and maintaining of accounts in favor of

the Bondholders, the maintenance of the records of the Holder in the Registry, the issuance, cancellation, and replacement, when proper, of the Registry Confirmations, and the transfers of the Bonds from a purchaser or seller/transferor of the Bonds.

18.6.1 Transfer Fees in the Secondary Trading

1. Transfer Fee of ₱100.00 to be paid each by the transferring Bondholder and the buyer/transferee prior to the registration of any transfer of the Bonds in the Registry. Either side may opt to pay the full charge of ₱200.00 per transfer. For transfers from a registry account to the depository, the full charge of ₱200.00 per transfer shall be charged to the transferring Bondholder.
2. Account Opening Fee of ₱100.00 to be paid upfront by a transferee who has no existing account in the Registry.
3. Such transaction fees as PDTC shall prescribe for effecting electronic settlement instructions received from the PDS Clear System if so duly authorized by a Bondholder

18.6.2 Transfer Fees due to Non-Trade Transactions

1. Transaction Fee of ₱100.00 to be paid each by the transferring Bondholder and the requesting party prior to the registration of any transfer of the Bonds in the Registry. Either side may opt to pay the full charge of ₱200.00 per transfer.
2. Transaction Fee of ₱500.00 per side plus legal cost, for non-intermediated transfers (e.g. inheritance, donation, pledge).

18.6.3 Other Fees charged to the Bondholder

These fees pertain to instances when PDTC is requested to undertake the printing of non-standard reports for the Bondholders for which appropriate fees are charged to cover the related overhead costs. The fee may vary depending on the type of report, as follows:

1. Fee of ₱200.00 to be paid upon each application for a certification request of holding.
2. Fee of ₱50.00 to be paid upon each application for a monthly statement of account (in addition to the quarterly statement of account to be issued by the Registrar to each Holder free of charge).
3. Fee of ₱50.00 to be paid upon application for the issuance of a replacement Registry Confirmation for reasons such as mutilated, destroyed, stolen or lost.
4. The fee for Special Reports varies depending on request.

SECTION 19. LEGAL MATTERS

Certain Philippine legal matters in connection with the Offer have been passed upon for the Bank by Picazo Buyco Tan Fider Santos & Dee, Manila, Philippines, the independent legal counsel of the Bank, and for ING, PCCI Capital, Security Bank Capital, and Standard Chartered Bank by SyCip Salazar Hernandez & Gatmaitan.

The aforesaid counsels have no shareholdings in the Bank, or any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Bank, in accordance with the standards or independence required in the Code of Professional Responsibility and as prescribed by the Supreme Court of the Philippines.

The aforesaid legal counsels have not acted and will not act as promoter, underwriter, voting trustee, officer or employee of the Bank.

SECTION 20. INDEPENDENT AUDITORS

The audited financial statements as of and for the years ended 31 December 2023 and 2024 were audited by R.G. Manabat & Co. as independent auditors.

The audited financial statement as of and for the year ended 31 December 2025 was audited, and the unaudited and reviewed interim financial statement as of and for the six-months period ended 30 June 2026, including condensed interim statements of income and condensed interim statements of cash flows for the 6 months ended 30 June 2025, were reviewed, in each case, by Punongbayan & Araullo, as independent auditors.

PARTIES TO THE OFFER

The Issuer

Bank of Commerce
San Miguel Properties Centre
7 St. Francis St.
Mandaluyong City
Philippines 1550

The Joint Lead Arrangers and Joint Bookrunners

ING Bank N.V. Manila Branch
22nd Floor ArthaLand Century Pacific Tower
5th Avenue corner 30th Street, Bonifacio Global City
Taguig, Philippines

Philippine Commercial Capital, Inc.
6th Floor PCCI Corporate Centre
118 L.P. Leviste St. Salcedo Village,
Makati City, Philippines

Security Bank Capital Investment Corporation
18F Security Bank Centre
6776 Ayala Avenue,
Makati City, Philippines

Standard Chartered Bank
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Paseo de Roxas corner Makati Avenue
Makati City, Philippines

Legal Counsel to the Bank

Picazo Buyco Tan Fider Santos & Dee
Penthouse, Liberty Center – Picazo Law
104 H.V. dela Costa Street
Salcedo Village
Makati City, Philippines

Legal Counsel to the Joint Lead Arrangers And Joint Bookrunners

SyCip Salazar Hernandez & Gatmaitan
SyCipLaw Center
105 Paseo de Roxas
Makati City, Philippines

Independent Auditors

Punongbayan & Araullo
The Enterprise Center
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Makati, Philippines

R.G. Manabat & Co.
KPMG Center
6787 Ayala Ave,
Makati, Philippines

INDEX TO FINANCIAL STATEMENTS

CONFIDENTIAL

UNAUDITED AND REVIEWED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2026

P&A
Grant Thornton

Report on Review of Condensed Interim Financial Statements

Bank of Commerce

For the Six Months Ended June 30, 2026 and 2025

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

P&A Grant Thornton

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Report on Review of Condensed Interim Financial Statements

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

Introduction

We have reviewed the accompanying condensed interim financial statements of Bank of Commerce, which comprise the condensed interim statement of financial position as of June 30, 2026, and the condensed interim statements of income, condensed interim statements of comprehensive income, condensed interim statements of changes in equity and condensed interim statements of cash flows for the six months ended June 30, 2026 and 2025, and notes to condensed interim financial statements, including selected material accounting policy information and other explanatory information (hereinafter referred to as "condensed interim financial statements"). Management is responsible for the preparation and fair presentation of the condensed interim financial statements in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial position of Bank of Commerce as at June 30, 2026, and its condensed interim financial performance and its condensed interim cash flows for the six months ended June 30, 2026 and 2025 are not prepared, in all material respects, in accordance with PAS 34.

Other Matter

We have previously audited the financial statements of Bank of Commerce as of December 31, 2025, including the statement of financial position, which is presented herein for comparative purposes, on which we have rendered our report thereon dated March 31, 2026.

PUNONGBAYAN & ARAULLO



By: Maria Isabel E. Comedia
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 10770756, January 6, 2026, Makati City
SEC Group A Accreditation
Partner - No. 92966-SEC (until financial period 2027)
Firm - No. 0002 (until financial period 2030)
BIR AN 08-002551-021-2025 (until August 6, 2028)
BOA/PRC Cert. of Reg. No. 0002/P-005 (until August 12, 2027)

September 9, 2026

BANK OF COMMERCE

CONDENSED INTERIM FINANCIAL STATEMENTS
As of June 30, 2026 (Unaudited) and December 31, 2025 (Audited)
and for the six months ended June 30, 2026 and 2025 (Unaudited)

BANK OF COMMERCE
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Note	**June 30, 2026 (Unaudited)**	December 31, 2025 (Audited)
ASSETS			
Cash and Other Cash Items		**P4,294,843,814**	P3,549,485,190
Due from Bangko Sentral ng Pilipinas		**22,526,531,061**	18,053,931,266
Due from Other Banks		**7,243,621,203**	2,105,187,140
Interbank Loans Receivable and Securities Purchased under Resale Agreements	*8*	**3,955,551,689**	7,647,508,000
Financial Assets at Fair Value through Profit or Loss	*9*	**3,784,031,127**	5,169,707,944
Financial Assets at Fair Value through Other Comprehensive Income	*10*	**31,748,992,535**	35,018,310,326
Investment Securities at Amortized Cost	*11*	**49,207,088,224**	41,371,074,917
Loans and Receivables	*12*	**153,563,933,546**	162,819,304,700
Investment in an Associate		**33,111,058**	33,421,266
Property, Equipment and Right-of-Use Assets		**1,999,809,614**	2,016,723,212
Investment Properties		**3,934,784,986**	4,115,809,308
Deferred Tax Assets		**438,519,371**	269,766,065
Other Assets		**4,778,156,819**	4,683,302,191
		P287,508,975,047	P286,853,531,525
LIABILITIES AND EQUITY			
Deposit Liabilities			
Demand		**P81,303,010,456**	P80,072,537,822
Savings		**121,286,828,473**	118,415,300,363
Time		**21,046,763,770**	24,826,278,213
		223,636,602,699	223,314,116,398
Financial Liabilities at Fair Value through Profit or Loss	*9*	**15,153,929**	2,085,466
Bonds Payable		**17,911,061,491**	17,881,000,871
Manager's Checks		**1,451,881,998**	1,797,802,935
Accrued Interest, Taxes and Other Expenses		**1,509,020,772**	1,349,787,315
Other Liabilities		**6,611,831,605**	5,930,702,162
Total Liabilities		**251,135,552,494**	250,275,495,147
Equity			
Capital stock	*13*	**18,196,805,900**	18,196,805,900
Paid-in surplus	*13*	**7,229,275,360**	7,229,275,360
Surplus reserves		**1,478,595,625**	1,583,791,619
Retained earnings		**11,098,350,605**	9,790,692,161
Net unrealized gains (losses) on financial assets at fair value through other comprehensive income	*10*	**(1,313,234,400)**	99,889,342
Remeasurement losses on retirement asset		**(323,799,559)**	(323,799,559)
Cumulative translation adjustment		**12,605,436**	6,579,908
Share in other comprehensive loss of an associate		**(5,176,414)**	(5,198,353)
Total Equity		**36,373,422,553**	36,578,036,378
		P287,508,975,047	P286,853,531,525

See Notes to Condensed Interim Financial Statements.

BANK OF COMMERCE
CONDENSED INTERIM STATEMENTS OF INCOME

	Note	Six Months Ended June 30 (Unaudited) 2026	2025
INTEREST INCOME			
Interest income calculated using the effective interest method:			
Loans and receivables		**P5,682,051,294**	P5,238,392,177
Investment securities at fair value through other comprehensive income and at amortized cost		**1,984,004,237**	1,473,289,531
Interbank loans receivable and securities purchased under resale agreements		**324,446,291**	269,697,807
Due from Bangko Sentral ng Pilipinas and other banks		**149,566,195**	172,091,975
Other interest income:			
Financial assets at fair value through profit or loss		**122,378,421**	129,801,445
		8,262,446,438	7,283,272,935
INTEREST EXPENSE			
Deposit liabilities		**1,523,913,764**	1,441,717,174
Bonds payable		**593,741,306**	669,583,058
Lease liabilities		**20,285,444**	20,757,635
Bills payable and others		**11,982,732**	4,663,999
		2,149,923,246	2,136,721,866
NET INTEREST INCOME		**6,112,523,192**	5,146,551,069
Service charges, fees and commissions		**406,868,045**	435,453,018
Gains on foreclosure and sale of property and equipment and foreclosed assets - net		**340,690,017**	288,699,016
Trading and investment securities gains (losses) - net		**(137,119,433)**	38,244,065
Foreign exchange gains - net		**109,583,529**	103,483,095
Miscellaneous		**65,359,129**	46,640,046
TOTAL OPERATING INCOME		**6,897,904,479**	6,059,070,309
Compensation and fringe benefits		**1,661,133,120**	1,475,171,914
Taxes and licenses		**686,879,986**	593,454,351
Rent and utilities		**367,584,008**	340,549,928
Depreciation and amortization		**357,962,556**	321,344,020
Insurance		**216,167,325**	200,379,280
Service fees and commissions		**184,615,591**	193,390,383
Subscription fees		**114,327,691**	113,555,289
Amortization of software costs		**85,817,808**	65,713,095
Management and professional fees		**35,714,586**	42,545,254
Provision for (reversal of) credit and impairment losses		**7,977,959**	9,187,979
Miscellaneous		**344,330,705**	256,548,864
TOTAL OPERATING EXPENSES		**4,062,511,335**	3,611,840,357
INCOME BEFORE SHARE IN NET LOSS OF AN ASSOCIATE AND INCOME TAX EXPENSE		**2,835,393,144**	2,447,229,952
SHARE IN NET LOSS OF AN ASSOCIATE		**332,147**	258,941
INCOME BEFORE INCOME TAX EXPENSE		**2,835,060,997**	2,446,971,011
INCOME TAX EXPENSE		**726,242,281**	586,278,301
NET INCOME		**P2,108,818,716**	P1,860,692,710
Earnings Per Share Attributable to Equity Holders of the Bank	*16*		
Basic		**P1.40**	P1.23
Diluted		**1.16**	1.02

See Notes to Condensed Interim Financial Statements.

BANK OF COMMERCE
CONDENSED INTERIM
STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Ended June 30 (Unaudited)	
	2026	2025
NET INCOME	**P2,108,818,716**	P1,860,692,710
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may not be reclassified to profit or loss		
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)	**1,338,291**	680,000
	1,338,291	680,000
Items that may be reclassified to profit or loss		
Net change in fair value of debt securities at FVOCI	**(1,358,673,930)**	233,648,544
Net change in fair value of debt securities at FVOCI taken to profit or loss	**(55,788,103)**	(6,097,575)
Net movement in cumulative translation adjustment	**6,025,528**	(5,562,497)
Share in other comprehensive income (loss) of an associate	**21,939**	837
	(1,408,414,566)	221,989,309
	(1,407,076,275)	222,669,309
TOTAL COMPREHENSIVE INCOME	**P701,742,441**	P2,083,362,019

See Notes to Condensed Interim Financial Statements.

BANK OF COMMERCE
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Note	Capital Stock (Note 13)	Paid-in Surplus (Note 13)	Surplus Reserves	Retained Earnings	Remeasurement Losses on Retirement Asset	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate	Total Equity
Balance as at January 1, 2026 (Audited)		**P18,196,805,900**	**P7,229,275,360**	**P1,583,791,619**	**P9,790,692,161**	**(P323,799,559)**	**P99,889,342**	**P6,579,908**	**(P5,198,353)**	**P36,578,036,378**
Net income for the period		-	-	-	**2,108,818,716**	-	-	-	-	**2,108,818,716**
Other comprehensive income (loss) for the period:										
Items that may not be reclassified to profit or loss:										
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)		-	-	-	-	-	**1,338,291**	-	-	**1,338,291**
Net change in remeasurement losses on retirement asset		-	-	-	-	-	-	-	-	-
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	**(1,358,673,930)**	-	-	**(1,358,673,930)**
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	**(55,788,103)**	-	-	**(55,788,103)**
Net movement in cumulative translation adjustment		-	-	-	-	-	-	**6,025,528**	-	**6,025,528**
Share in other comprehensive income of an associate		-	-	-	-	-	-	-	**21,939**	**21,939**
Total comprehensive income (loss) for the period		-	-	-	**2,108,818,716**	-	**(1,413,123,742)**	**6,025,528**	**21,939**	**701,742,441**
Cash dividend declared	*13*	-	-	-	**(906,356,266)**	-	-	-	-	**(906,356,266)**
Transaction within equity:										
Transfer from surplus reserves		-	-	**(105,195,994)**	**105,195,994**	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal		-	-	-	-	-	-	-	-	-
		-	-	**(105,195,994)**	**(801,160,272)**	-	-	-	-	**(906,356,266)**
Balance as at June 30, 2026 (Unaudited)		**P18,196,805,900**	**P7,229,275,360**	**P1,478,595,625**	**P11,098,350,605**	**(P323,799,559)**	**(P1,313,234,400)**	**P12,605,436**	**(P5,176,414)**	**P36,373,422,553**

	Note	Capital Stock (Note 13)	Paid-in Surplus (Note 13)	Surplus Reserves	Retained Earnings	Remeasurement Losses on Retirement Asset	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate	Total Equity
Balance as at January 1, 2025 (Unaudited)		P18,196,805,900	P7,229,275,360	P1,169,045,556	P7,501,642,690	(P331,673,141)	(P534,761,685)	P4,760,983	(P5,028,412)	P33,230,067,251
Net income for the period		-	-	-	1,860,692,710	-	-	-	-	1,860,692,710
Other comprehensive income (loss) for the period:										
Items that may not be reclassified to profit or loss:										
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)		-	-	-	-	-	680,000	-	-	680,000
Net change in remeasurement losses on retirement asset		-	-	-	-	-	-	-	-	-
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	233,648,544	-	-	233,648,544
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	(6,097,575)	-	-	(6,097,575)
Net movement in cumulative translation adjustment		-	-	-	-	-	-	(5,562,497)	-	(5,562,497)
Share in other comprehensive income of an associate		-	-	-	-	-	-	-	837	837
Total comprehensive income (loss) for the period		-	-	-	1,860,692,710	-	228,230,969	(5,562,497)	837	2,083,362,019
Cash dividend declared		-	-	-	(851,356,266)	-	-	-	-	(851,356,266)
Transaction within equity:										
Transfer to surplus reserves		-	-	270,516,335	(270,516,335)	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal		-	-	-	630,000	-	(630,000)	-	-	-
		-	-	270,516,335	(1,121,242,601)	-	(630,000)	-	-	(851,356,266)
Balance as at June 30, 2025 (Unaudited)		P18,196,805,900	P7,229,275,360	P1,439,561,891	P8,241,092,799	(P331,673,141)	(P307,160,716)	(P801,514)	(P5,027,575)	P34,462,073,004

See Notes to Condensed Interim Financial Statements.

BANK OF COMMERCE
CONDENSED INTERIM STATEMENTS OF CASH FLOWS

	Six Months Ended June 30 (Unaudited)	
	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax expense	**P2,835,060,997**	P2,446,971,011
Adjustments for:		
Interest expense on bonds payable	**593,741,306**	669,583,058
Depreciation and amortization	**357,962,556**	321,344,020
Gain on foreclosure and sale of property and equipment and foreclosed assets - net	**(340,690,017)**	(288,699,016)
Unrealized losses (gains) on financial assets and liabilities at fair value through profit or loss (FVPL)	**121,145,877**	(39,188,070)
Amortization of software costs	**85,817,808**	65,713,095
Gain on sale of financial assets at fair value through other comprehensive income (FVOCI)	**(55,788,103)**	(6,097,575)
Interest expense on lease liabilities	**20,285,444**	20,757,635
Provision for credit and impairment losses	**7,977,959**	9,187,979
Share in net loss of an associate	**332,147**	258,941
Miscellaneous income	**-**	(96,521)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Interbank loans receivables	**-**	743,437
Financial assets at FVPL	**1,277,599,403**	(2,371,524,534)
Loans and receivables	**9,161,067,900**	(7,351,593,964)
Other assets	**(38,134,499)**	(52,269,015)
Increase (decrease) in:		
Deposit liabilities	**322,486,301**	(8,186,655,200)
Manager's checks	**(345,920,937)**	960,124,840
Accrued interest, taxes and other expenses	**27,911,937**	(67,149,750)
Other liabilities	**(180,663,434)**	(6,680,120,631)
Net cash generated from (absorbed by) operations	**13,850,192,645**	(20,548,710,260)
Income taxes paid	**(652,802,283)**	(552,117,171)
Net cash provided by (used in) operating activities	**13,197,390,362**	(21,100,827,431)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale or redemption of:		
Investment securities at amortized cost	**220,604,272,000**	109,135,661,190
Financial assets at FVOCI	**6,860,300,195**	2,496,623,977
Investment properties	**481,940,648**	430,357,524
Property and equipment	**24,465,881**	26,427,957
Additions to:		
Investment securities at amortized cost	**(228,441,058,960)**	(115,417,753,827)
Financial assets at FVOCI	**(5,058,920,754)**	(8,148,896,033)
Property and equipment	**(204,582,128)**	(110,252,337)
Software costs	**(96,105,112)**	(127,967,239)
Investment properties	**(7,040,050)**	(14,663,204)
Net cash used in investing activities	**(5,836,728,280)**	(11,730,461,992)

Forward

	Six Months Ended June 30 (Unaudited)	
	2026	2025
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of interest on bonds	**(P563,691,056)**	(P511,753,139)
Payment of lease liabilities	**(137,811,121)**	(128,075,076)
Issuance of bonds payable	**-**	17,831,211,213
Net cash provided by (used in) financing activities	**(701,502,177)**	17,191,382,998
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS	**6,057,072**	(5,591,463)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**6,665,216,977**	(15,645,497,888)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	**3,549,485,190**	4,244,123,801
Due from Bangko Sentral ng Pilipinas	**18,056,368,871**	47,919,926,114
Due from other banks	**2,105,471,380**	3,819,900,855
Interbank loans receivable and securities purchased under resale agreements	**7,648,540,553**	3,449,297,350
	31,359,865,994	59,433,248,120
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	**4,294,843,814**	3,741,219,002
Due from Bangko Sentral ng Pilipinas	**22,529,572,874**	29,593,362,197
Due from other banks	**7,244,580,523**	4,674,723,633
Interbank loans receivable and securities purchased under resale agreements	**3,956,085,760**	5,778,445,400
	P38,025,082,971	P43,787,750,232
CASH FLOWS FROM INTEREST AND DIVIDENDS		
Operating Activities		
Interest received	**P8,428,386,116**	P7,200,710,728
Interest paid	**1,603,131,184**	1,558,529,547
Dividends received	**1,048,950**	-

See Notes to Condensed Interim Financial Statements.

1. Reporting Entity

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

The Bank provides services such as deposit products, loans and trade finance, domestic and foreign fund transfers, foreign exchange, credit card and trust services. The Bank's principal place of business is at San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City. The Bank has a total of 142 banking offices nationwide, including the Head Office and two branch-lite units, as at June 30, 2026 and December 31, 2025.

San Miguel Properties, Inc. (SMPI) and San Miguel Corporation Retirement Plan (SMCRP) hold 31.91% and 30.84% ownership of the Bank's issued common shares, respectively, as at June 30, 2026 and December 31, 2025. Each of these shareholders has significant influence over the Bank. SMC Equivest Corporation holds 100% ownership of the Bank's issued non-voting preferred shares as at June 30, 2026 and December 31, 2025.

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

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

On September 9, 2026, the unaudited condensed interim financial statements of the Bank as at and for the six months ended June 30, 2026, including the comparative audited financial statements as at December 31, 2025 and unaudited condensed interim financial statements for the six months ended June 30, 2025, were endorsed by the Audit Committee to the BOD for approval. The condensed interim financial statements were approved and authorized for issue by the BOD on September 9, 2026.

2. Basis of Preparation

Statement of Compliance

The condensed interim financial statements of the Bank have been prepared in compliance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*, and should be read in conjunction with the Bank's last annual financial statements as at and for the year ended December 31, 2025 (last annual audited financial statements). They do not include all information required for a complete set of financial statements that is compliant with Philippine Financial Reporting Standards (PFRS Accounting Standards). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Bank's financial position and performance since the last annual audited financial statements.

Basis of Measurement

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

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

Functional and Presentation Currency

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

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

Presentation of Condensed Interim Financial Statements

The Bank presents its condensed interim statements of financial position broadly in the order of liquidity.

3. Material Accounting Policies

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those applied in the Bank's last annual audited financial statements as at and for the year ended December 31, 2025, except for the adoption of the following amended standards, which became effective beginning January 1, 2026. Unless otherwise indicated, the adoption of these amended standards did not have significant impact on the condensed interim financial statements of the Bank. The Bank has not early adopted any of the standards, interpretations or amendments that has been issued but is not yet effective.

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 *Financial Instruments* and PFRS 7 *Financial Instruments: Disclosures)*
- Annual Improvements to PFRS Accounting Standards – Volume 11
    - Gain or Loss on Derecognition (Amendments to PFRS 7)
    - Introduction, Disclosure of Difference Between Fair Value and Transaction Price, and Credit Risk Disclosures (Amendments to Guidance on implementing PFRS 7)
    - Derecognition of Lease Liabilities and Transaction Price (Amendments to PFRS 9)
    - Cost Method (Amendments to PAS 7 *Statement of Cash Flows*)

4. Critical Judgments and Estimates

The preparation of condensed interim financial statements in conformity with PAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses, and disclosures of contingent assets and contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparing the condensed interim financial statements, the significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were consistent with those applied in the Bank's audited financial statements as at and for the year ended December 31, 2025, prepared in accordance with PFRS Accounting Standards. There were no material changes in judgments, estimates and assumptions during the period.

5. Financial Risk Management Objectives and Policies

The Bank is exposed to risk in relation to its operating, investing, and financial activities, and the business environment in which it operates. Its risk mission and objectives are to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities. In managing financial instruments, the Bank is exposed to financial risk such as market risk [including interest rate risk in the banking book (IRRBB)], liquidity risk, and credit risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; hence, they should be read in conjunction with Note 5, Financial Risk Management Objectives and Policies of the annual financial statements as at and for the year ended December 31, 2025.

There have been no significant changes in the risk management structure of the Bank or in any risk management policies since the previous annual period.

6. Categories and Fair Value Measurement

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

Cash and Other Cash Items, Due from BSP and Other Banks and Interbank Loans Receivable and Securities Purchased under Resale Agreements (SPURA) – Fair values approximate carrying amounts given the short-term nature of the instruments.

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

Equity Securities (Financial Assets at FVOCI) – For quoted securities, fair values are determined based on market prices quoted in an established exchange, or on published quotes by accredited brokers. The Bank's unquoted equity securities are classified as Level 3 in the fair value hierarchy. Their fair values are determined using the adjusted net asset value (ANAV) method, which is considered appropriate as the investees' net assets largely represent their fair value.

The ANAV technique uses the most recent financial statements of the investees and adjusts the recorded net assets to reflect the fair values of significant underlying assets and liabilities. Key unobservable inputs include valuation adjustments to reflect the fair value of financial assets and liabilities measured at amortized cost, as well as remeasurement of property and other non-financial assets to reflect their estimated fair values at the measurement date.

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

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

Investment Properties – Fair value is determined based on valuations performed by external and in-house appraisers using the market data approach. Valuations are derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued.

Significant unobservable inputs in determining the fair values include the following:

Location	Location of comparative properties whether on a main road or secondary road. Road width could also be a consideration if data is available. As a rule, properties along a main road are superior to properties along a secondary road.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable confirms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time, in which case, the current date is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

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

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

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

The following table provides the fair value hierarchy of the Bank's assets and liabilities measured at fair value and those for which fair values should be disclosed (amounts in thousands):

	June 30, 2026 (Unaudited)				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL:					
Government securities	**P3,735,818**	**P2,717,470**	**P1,018,348**	**P -**	**P3,735,818**
Derivative assets	**48,213**	**-**	**48,213**	**-**	**48,213**
Financial assets at FVOCI:					
Government securities	**31,522,778**	**22,687,505**	**8,835,273**	**-**	**31,522,778**
Equity securities	**226,215**	**500**	**-**	**225,715**	**226,215**
	P35,533,024	**P25,405,475**	**P9,901,834**	**P225,715**	**P35,533,024**
Liabilities Measured at Fair Value					
Financial Liabilities					
Derivative liabilities	**P15,154**	**P -**	**P 15,154**	**P -**	**P15,154**

	June 30, 2026 (Unaudited)				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost:					
Government securities	**P47,238,329**	**P32,973,057**	**P13,587,251**	**P -**	**P46,560,308**
Private debt securities	**1,968,759**	**-**	**1,870,020**	**-**	**1,870,020**
Loans and receivables:					
Receivables from customers	**150,960,552**	**-**	**-**	**145,512,853**	**145,512,853**
Less unearned interest	**95,546**	**-**	**-**	**95,546**	**95,546**
	150,865,006	**-**	**-**	**145,417,307**	**145,417,307**
Sales contract receivables	**218,222**	**-**	**-**	**222,981**	**222,981**
	200,290,316	**32,973,057**	**15,457,271**	**145,640,288**	**194,070,616**
Non-financial Assets					
Investment properties	**3,934,785**	**-**	**-**	**10,735,024**	**10,735,024**
	P204,225,101	**P32,973,057**	**P15,457,271**	**P156,375,312**	**P204,805,640**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities –					
Time	**P21,046,764**	**P -**	**P21,036,999**	**P -**	**P21,036,999**
Bonds payable	**17,911,061**	**-**	**17,733,562**	**-**	**17,733,562**
	P38,957,825	**P -**	**P38,770,561**	**P -**	**P38,770,561**

	December 31, 2025 (Audited)				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets:					
Financial assets at FVPL:					
Government securities	P5,132,998	P4,560,287	P572,711	P -	P5,132,998
Derivative assets	36,710	-	36,710	-	36,710
Financial assets at FVOCI:					
Government securities	34,793,434	15,314,787	19,478,647	-	34,793,434
Equity securities	224,877	500	-	224,377	224,877
	P40,188,019	P19,875,574	P20,088,068	P224,377	P40,188,019
Liabilities Measured at Fair Value					
Financial Liabilities –					
Derivative liabilities	P2,085	P -	P2,085	P -	P2,085
Assets for which Fair Values are Disclosed					
Financial Assets:					
Investment securities at amortized cost:					
Government securities	P39,475,179	P23,056,328	P16,337,158	P -	P39,393,486
Private debt securities	1,895,896	-	1,806,596	-	1,806,596
Loans and receivables:					
Receivables from customers	159,964,965	-	-	161,509,318	161,509,318
Less unearned interest	83,143	-	-	83,143	83,143
	159,881,822	-	-	161,426,175	161,426,175
Sales contract receivables	225,420	-	-	235,932	235,932
	201,478,317	23,056,328	18,143,754	161,662,107	202,862,189
Non-financial Assets –					
Investment properties	4,115,809	-	-	11,087,389	11,087,389
	P205,594,126	P23,056,328	P18,143,754	P172,749,496	P213,949,578
Liabilities for which Fair Values are Disclosed					
Financial Liabilities:					
Deposit liabilities –					
Time	P24,826,278	P -	P24,817,534	P -	P24,817,534
Bonds payable	17,881,001	-	18,077,148	-	18,077,148
	P42,707,279	P -	P42,894,682	P -	P42,894,682

In 2026 and 2025, due to changes in market conditions for certain government securities measured at FVPL and FVOCI, quoted prices in active markets were not available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities at FVPL and FVOCI, with carrying amounts of P650.1 million and P2.5 billion, respectively, in 2026 and P225.7 million and P3.3 billion, respectively, in 2025, were transferred from Level 1 to Level 2 of the fair value hierarchy.

Securities at FVPL and FVOCI, with a carrying amount of P302.0 million and P11.2 billion, respectively, in 2026 and P0.5 million and P4.3 billion, respectively, in 2025, were transferred from Level 2 to Level 1 of the fair value hierarchy since quoted prices in active markets were already available.

In 2026 and 2025, there have been no transfers into and out of Level 3 of the fair value hierarchy.

An instrument in its entirety is classified as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived. For unquoted equity securities, fair values are estimated using valuation techniques such as the adjusted net asset value method.

The carrying values of financial assets and liabilities not included in the fair value hierarchy table shown above approximate their respective fair values as at June 30, 2026 and December 31, 2025.

7. Segment Reporting

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

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

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

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

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

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

Segment assets and liabilities comprise operating assets and liabilities, including borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment. Transactions between the business segments are carried out at arm's length. The Bank uses an Internal Funds Transfer Pricing rate to allocate the cost of funds or to recognize internal revenue for deposit takers. Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross income and expense. The Bank has no single customer that contributes 10.0% or more of the Bank's revenue net of interest expense. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The segment information of the Bank for the six months ended June 30, 2026 and 2025 for statement of income items, and as at June 30, 2026 and December 31, 2025 for statement of financial position items follow (amounts in millions):

	June 30, 2026 (Unaudited)					
	Treasury Management Group	**Corporate Banking Group**	**Branch Banking Group**	**Consumer Group**	**Others**	**Total**
Statement of Income						
Net interest income:						
Third party	**P1,751**	**P4,751**	**(P1,348)**	**P773**	**P186**	**P6,113**
Intersegment	**(1,409)**	**(3,834)**	**4,971**	**(605)**	**877**	**-**
Net interest income	**342**	**917**	**3,623**	**168**	**1,063**	**6,113**
Non-interest income	**(24)**	**33**	**29**	**23**	**724**	**785**
Total revenues	**318**	**950**	**3,652**	**191**	**1,787**	**6,898**
Compensation and fringe benefits	**16**	**20**	**284**	**46**	**1,295**	**1,661**
General and administrative expenses	**48**	**9**	**691**	**26**	**933**	**1,707**
Taxes and licenses	**132**	**220**	**318**	**42**	**(25)**	**687**
Total expenses	**196**	**249**	**1,293**	**114**	**2,203**	**4,055**
Income (losses) before provision for credit losses and income tax expense	**P122**	**P700**	**P2,359**	**P77**	**(P416)**	**P2,843**
Provision for credit and impairment losses						**P8**
Share in net loss of an associate						**-**
Income tax expense						**726**
Net income						**P2,109**
Other Segment Information						
Capital expenditures	**P -**	**P2**	**P26**	**P3**	**P92**	**P124**
Depreciation and amortization	**P3**	**P2**	**P57**	**P4**	**P378**	**P444**
Statement of Financial Position						
Total assets	**P103,047**	**P132,021**	**P21,116**	**P20,685**	**P10,640**	**P287,509**
Total Liabilities	**28,896**	**212**	**216,004**	**166**	**5,858**	**251,136**

	June 30, 2025 (Unaudited)					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P1,306	P4,448	(P1,413)	P651	P155	P5,147
Intersegment	(1,162)	(3,677)	4,400	(493)	932	-
Net interest income	144	771	2,987	158	1,087	5,147
Non-interest income	141	30	44	28	669	912
Total revenues	285	801	3,031	186	1,756	6,059
Compensation and fringe benefits	15	19	299	40	1,099	1,472
General and administrative expenses	38	9	658	23	824	1,552
Taxes and licenses	112	202	203	37	25	579
Total expenses	165	230	1,160	100	1,948	3,603
Income (losses) before provision for credit losses and income tax expense	P120	P571	P1,871	P86	(P192)	P2,456
Provision for credit and impairment losses						P9
Share in net loss of an associate						-
Income tax expense						586
Net income						P1,861
Other Segment Information						
Capital expenditures	P5	P1	P41	P2	P34	P83
Depreciation and amortization	P2	P3	P47	P4	P331	P387

	December 31, 2025 (Audited)					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Financial Position						
Total assets	P95,200	P142,711	P18,286	P19,251	P11,406	P286,854
Total Liabilities	29,466	203	215,464	61	5,081	250,275

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

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

8. Interbank Loans Receivable and Securities Purchased under Resale Agreements

This account consists of:

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Interbank loans receivable	**P3,956,085,760**	P2,148,540,553
SPURA	**-**	5,500,000,000
	3,956,085,760	7,648,540,553
Less allowance for credit losses	**534,071**	1,032,553
	P3,955,551,689	P7,647,508,000

Interbank loans receivable consists of overnight lending placements and short-term loans with original maturities of three months or less from the date of placement granted to other banks.

SPURA represents overnight lending placements with the BSP where the underlying securities cannot be sold or re-pledged to parties other than the BSP. The decrease in the SPURA balance is attributable to the redeployment of excess liquidity to other short-term liquid placements, including interbank loans receivable and other BSP facilities, in line with the Bank's treasury and liquidity management strategies and prevailing market conditions.

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

Financial assets at FVPL consist of:

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Government securities	**P3,735,817,859**	P5,132,997,906
Derivative assets	**48,213,268**	36,710,038
	P3,784,031,127	P5,169,707,944

As at June 30, 2026 and December 31, 2025, financial assets and liabilities at FVPL are adjusted for unrealized loss of P121.1 million and unrealized gain of P65.0 million, respectively.

Derivative Financial Instruments

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

Forward swaps refer to spot purchase or sale of one currency against another with an offsetting agreement to sell or purchase the same currency at an agreed forward rate in the future. As at June 30, 2026, these pertain to four contracts with notional amount of $10.0 million each and 10 contracts with notional amount of $5.0 million each. The Bank has four contracts with notional amount of $5.0 million each, one contract with notional amount of $10.0 million and two contracts with notional amount of €2.5 million each as at December 31, 2025.

The Bank also enters into bond futures contracts as part of its trading activities. As at June 30, 2026, these pertain to two contracts with notional amount of $3.0 million each. The Bank has no bond future contracts as at December 31, 2025.

The table below shows the fair values of derivative financial instruments entered into by the Bank, recorded as derivative assets or derivative liabilities, together with the notional amount. The notional amount is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. The notional amount indicates the volume of transactions outstanding as at June 30, 2026 and December 31, 2025 and is not indicative of either market risk or credit risk.

	June 30, 2026 (Unaudited)		December 31, 2025 (Audited)	
	Derivative Assets	**Notional Amount**	Derivative Assets	Notional Amount
Freestanding derivatives:				
Warrants	**P30,680,000**	**$50,000**	P29,395,000	$50,000
Forwards	**17,073,068**	**60,000,000**	7,315,038	20,000,000
Bond futures	**460,200**	**6,000,000**	-	-
	P48,213,268	**$66,050,000**	P36,710,038	$20,050,000

	June 30, 2026 (Unaudited)		December 31, 2025 (Audited)	
	Derivative Liabilities	**Notional Amount**	Derivative Liabilities	Notional Amount
Freestanding derivatives:				
Forwards	**P15,153,929**	**$30,000,000**	P1,971,325	$10,000,000
Forwards	-	-	114,141	€5,000,000
	P15,153,929	**$30,000,000**	P2,085,466	

10. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Government securities	**P31,522,777,519**	P34,793,433,601
Equity securities	**226,215,016**	224,876,725
	P31,748,992,535	P35,018,310,326

As at June 30, 2026 and December 31, 2025, the expected credit loss (ECL) allowance on debt securities at FVOCI included under "Net unrealized losses on financial assets at FVOCI" amounted to P2.9 million and P3.2 million, respectively.

Net Unrealized Gains (Losses) on Financial Assets at FVOCI

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

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Balance at beginning of period	**P99,889,342**	(P534,761,685)
Net unrealized gains (losses) recognized as OCI	**(1,467,941,902)**	801,574,327
Effect of tax	**110,861,414**	(136,437,696)
Realized gains taken to profit or loss	**(55,788,103)**	(16,457,282)
Movement of ECL on debt securities at FVOCI	**(255,151)**	1,254,079
Net change in unrealized gains (losses) recorded in OCI	**(1,413,123,742)**	649,933,428
Realized gains taken to retained earnings	**-**	(15,282,401)
Balance at end of period	**(P1,313,234,400)**	P99,889,342

The net unrealized loss recognized on financial assets at FVOCI as at June 30, 2026 is primarily attributable to changes in market conditions, including higher oil prices, increased inflation expectations, and geopolitical uncertainties, which resulted in a decline in the fair values of the Bank's debt securities as interest rates and future interest rate expectations increase. Even with this environment, the Bank's risk appetite remains the same, and it continues executing the same risk strategies and practices as last year. As at June 30, 2026 and December 31, 2025, the Bank's Capital Adequacy Ratio (CAR) of 17.07% and 16.48%, respectively, remains above the minimum 10.00% requirement.

11. Investment Securities at Amortized Cost

This account consists of:

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Government securities	**P47,243,646,094**	P39,479,667,743
Private debt securities	**1,968,982,113**	1,896,105,862
	49,212,628,207	41,375,773,605
Less allowance for credit losses	**5,539,983**	4,698,688
	P49,207,088,224	P41,371,074,917

No investment securities at amortized cost were sold in 2026 and 2025.

During the six-month period, the Bank increased its investments through the acquisition of U.S. Treasury Notes and other government securities maintained with the BSP. The acquisitions were undertaken to deploy excess U.S. dollar liquidity and rebalance the investment portfolio toward high-quality government securities. As a result, the Bank increased the proportion of these securities in its investment portfolio, supporting stable interest income generation while reducing the impact of market value fluctuations on earnings.

12. Loans and Receivables

This account consists of:

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Receivables from customers:		
Term loans	**P113,746,887,463**	P124,556,652,487
Agri-agra loans	**13,525,635,065**	13,596,027,710
Housing loans	**13,323,711,694**	12,283,490,731
Auto loans	**6,791,719,165**	6,335,496,146
Bills purchased, import bills and trust receipts	**1,721,905,613**	1,543,834,876
Direct advances	**392,510,659**	364,480,041
Others	**3,320,567,451**	3,127,426,049
	152,822,937,110	161,807,408,040
Less unearned interest income	**95,546,215**	83,143,147
Accrued interest receivable:		
Loans and receivables	**1,081,030,620**	1,222,141,660
Trading and investment securities	**1,016,337,872**	955,491,708
Due from BSP and other banks	**1,435,555**	1,813,333
Interbank loans receivable and SPURA	**529,942**	2,224,577
Accounts receivable	**1,303,885,122**	1,452,597,335
Unquoted debt securities	**291,578,224**	291,578,219
Sales contract receivables	**274,039,725**	281,310,365
RCOCI	**235,081**	3,337,849
	156,696,463,036	165,934,759,939
Less allowance for credit losses	**3,132,529,490**	3,115,455,239
	P153,563,933,546	P162,819,304,700

Bills purchased, import bills and trust receipts include bills purchased with contra account in “Bills purchased - contra” under “Other Liabilities” in the statements of financial position amounting to P1.7 billion and P1.5 billion as at June 30, 2026 and December 31, 2025, respectively.

As at June 30, 2026 and December 31, 2025, the non-performing loans of the Bank amounted to P2.24 billion and P2.22 billion, respectively. Gross and net NPL ratios of the Bank are 1.43% and 0.63%, respectively, as at June 30, 2026 and 1.33% and 0.62%, respectively, as at December 31, 2025.

The decrease in the Loans and Receivables balance is attributable primarily by principal repayments.

The movements in ECL allowances as at June 30, 2026 and December 31, 2025 on loans and receivables are summarized as follows (amounts in thousands):

	June 30, 2026 (Unaudited)		
	Receivables from Customers	**Sales Contract and Other Receivables**	**Total**
ECL Loans, January 1, 2026	**P1,842,443**	**P1,273,012**	**P3,115,455**
Provisions for credit and impairment losses	**31,377**	**(4,942)**	**26,435**
Foreign exchange differences	**11,568**	**4,810**	**16,378**
Movement due to foreclosure/ settlement	**(23,003)**	**(2,736)**	**(25,739)**
ECL Loans, June 30, 2026	**P1,862,385**	**P1,270,144**	**P3,132,529**

	December 31, 2025 (Audited)		
	Receivables from Customers	Sales Contract and Other Receivables	Total
ECL Loans, January 1, 2025	P1,651,407	P1,215,778	2,867,185
Provisions for credit and impairment losses	342,670	59,497	402,167
Foreign exchange differences	5,756	1,767	7,523
Write off	(123,625)	(502)	(124,127)
Movement due to foreclosure/ settlement	(33,765)	(3,528)	(37,293)
ECL Loans, December 31, 2025	P1,842,443	P1,273,012	P3,115,455

13. Equity

As at June 30, 2026 and December 31, 2025, the Bank's capital stock consists of the following:

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

Cash Dividend

On May 26, 2026, the BOD declared cash dividends amounting to P906.4 million or equivalent to P0.25 regular dividend per common share, P0.20 special dividend per common share, and P0.66 per preferred share, payable on July 15, 2026 to all stockholders of record as at June 19, 2026.

14. Related Party Transactions

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

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

14.1 Loans and Receivables

In the ordinary course of business, the Bank grants loans and other credit accommodations to related parties, including term, housing, auto, salary and personal loans. Transactions with related parties also include bank guarantees, outstanding letters of credit and committed credit lines extended in accordance with approved credit facilities.

As at June 30, 2026 and December 31, 2025, total loans and receivables to related parties amounted to P64.3 billion and P68.1 billion, respectively. 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.

Interest income arising from these transactions amounted to P2.7 billion and P2.6 billion for the six-month periods ended June 30, 2026 and 2025, respectively.

Under current banking regulations, the total outstanding loans, other credit accommodations and guarantees to each DOSRI shall be limited to an amount equivalent to the respective unencumbered deposits and book value of paid-in capital contributions in the Bank. In addition, unsecured loans, other credit accommodations and guarantees granted to each DOSRI shall not exceed 30% of the total outstanding loans, other credit accommodations and guarantees of the respective DOSRI. Loans, other credit accommodations and guarantees granted for project finance purposes may be exempt from the unsecured individual ceiling during the project gestation phase, subject to applicable regulatory requirements and the establishment of appropriate prudential safeguards.

The Bank has no outstanding DOSRI loans as at June 30, 2026 and December 31, 2025.

14.2 Deposit Liabilities

Related parties maintain current, savings and time deposit accounts with the Bank. These deposit accounts earn or bear interest at prevailing market rates and are subject to the same terms and conditions applicable to similar transactions with non-related parties.

The outstanding balances for deposit liabilities with its related parties as at June 30, 2026 and December 31, 2025 amounted to P75.8 billion and P86.4 billion, respectively.

Interest expense arising from these arrangements is recognized based on the applicable contractual terms. Such expense amounted to P55.4 million and P208.0 million for the six-month periods ended June 30, 2026 and 2025, respectively. The related accrued interest payable amounted to P28.0 million as at June 30, 2026 and P55.5 million as at December 31, 2025.

14.3 Investment in an Associate

The Bank holds a 24.26% equity interest in BIC Management and Consultancy, Inc. (BIC), over which the Bank exercises significant influence. The investment is accounted for using the equity method, whereby the carrying amount of the investment is adjusted to recognize the Bank's share in BIC's profit or loss and other changes in equity.

Share in net loss of BIC amounted to P0.3 million for both six-month periods ended June 30, 2026 and 2025.

14.4 Retirement Plan

The Bank's retirement plan is managed and administered by the Bank's Trust Services Group under an Investment Management Account (IMA) Agreement. Under the arrangement, the trustee is responsible for the investment and administration of the retirement fund assets in accordance with the terms of the IMA Agreement, applicable regulations and investment guidelines approved by the Board of Trustees of the retirement plan.

Retirement fund assets include deposits with the Bank, investment securities, loans and other receivables, and other eligible financial instruments. Trust fees and other administrative charges are recognized in accordance with the provisions of the IMA Agreement.

14.5 Investor Trust Accounts

The Bank's Trust Services Group also manages and administers trust accounts of certain investors under separate Investment Management Account arrangements. These transactions are undertaken in a fiduciary capacity and are governed by the respective trust and investment management agreements and applicable regulations.

14.6 Cash Dividends

During the six-month period ended June 30, 2026, the Bank declared dividends to its shareholders, including related parties, in proportion to their respective shareholdings (see Note 13). Dividends accrued to related parties amounted to P752.2 million.

14.7 Compensation of Key Management Personnel

Key management personnel comprise directors and executive officers having authority and responsibility for planning, directing and controlling the activities of the Bank. Compensation includes short-term employee benefits, post-employment benefits and directors' fees, which are determined and approved in accordance with the Bank's governance policies and applicable regulations.

The compensation of key management personnel of the Bank follows:

	Six Months Ended June 30 (Unaudited)	
	2026	2025
Short-term employee benefits	**P483,114,927**	P453,849,948
Post-employment benefits	**44,373,378**	27,274,369
	P527,488,305	P481,124,317

15. Commitments and Contingencies

In the normal course of operations, the Bank makes various commitments, such as guarantees, commitments to extend credit, and other similar arrangements, which are not reflected in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingencies at their peso equivalent contractual amounts arising from off-books accounts as at June 30, 2026 and December 31, 2025:

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Contingent assets:		
Future/spot exchange bought	**P7,174,644,436**	P1,257,580,329
Fixed income securities purchased	**342,853,812**	2,574,327
Outward bills for collection	**11,168**	-
	P7,517,509,416	P1,260,154,656
Commitments and contingent liabilities:		
Trust department accounts	**P72,303,062,943**	P68,650,340,458
Committed credit line	**16,103,897,930**	17,379,461,505
Future/spot exchange sold	**7,866,278,987**	1,837,127,054
Unused commercial letters of credit	**5,883,939,282**	6,614,545,656
Credit card lines	**4,715,305,284**	4,427,078,211
Outstanding guarantees	**1,475,198,782**	2,509,497,648
Inward Bills for Collection-Domestic	**1,352,723,179**	197,314,203
Fixed income securities sold	**342,853,812**	2,574,326
Retirement obligations	**166,555,598**	166,555,598
Late deposits/payments received	**632,179**	632,179
Items held for safekeeping/securities held as collateral	**217,849**	58,653
	P110,210,665,825	P101,785,185,491

Retirement obligations pertain to the estimated impact of the amendments to the Bank's retirement plan on past service cost, subject to certain conditions.

The Bank has several loan-related suits, claims and regulatory examinations that remain unsettled or ongoing. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, in consultation with its legal counsels, the suits and claims, if decided adversely, will not involve sums having a material effect on the Bank's financial statements.

Other Commitments

The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

No asset is being pledged by the Bank to secure outstanding liabilities as at June 30, 2026 and December 31, 2025.

16. Financial Performance Indicators

Basic earnings per share amounts were computed as follows:

		Six Months Ended June 30 (Unaudited)	
		2026	2025
a.	Net income	**P2,108,818,716**	P1,860,692,710
b.	Dividends on preferred shares*	**151,250,001**	137,500,001
c.	Net income to equity holders of the Bank	**1,957,568,715**	1,723,192,709
d.	Weighted average number of outstanding common shares	**1,403,013,920**	1,403,013,920
e.	Basic earnings per share (c/d)	**P1.40**	P1.23

** potential dividends on preferred shares as these were not assumed to be converted.*

Diluted earnings per share attributable to equity holders of the Bank were computed as follows:

		Six Months Ended June 30 (Unaudited)	
		2026	2025
a.	Net income to equity holders of the Bank	**P2,108,818,716**	P1,860,692,710
b.	Weighted average number of outstanding common shares and dilutive preferred shares		
	Outstanding common shares	**1,403,013,920**	1,403,013,920
	Potential common shares from assumed conversion of preferred shares	**416,666,670**	416,666,670
c.	Total weighted average common shares	**1,819,680,590**	1,819,680,590
d.	Diluted earnings per share (a/c)	**P1.16**	P1.02

The following basic ratios measure the financial performance of the Bank:

	Six Months Ended June 30 (Unaudited)	
	2026	2025
Return on average equity	**11.56%**	11.00%
Return on average assets	**1.47%**	1.39%
Net interest margin on average earning assets	**4.68%**	4.27%

17. Events after the Reporting Date

On July 15, 2026, the Bank paid cash dividends amounting to P906.4 million or equivalent to P0.25 regular dividend per common share, P0.20 special dividend per common share, and P0.66 per preferred share, to all stockholders of record as at June 19, 2026 (see Notes 13 and 14).

On February 24, 2026, the BOD approved the proposed increase in the Peso Bond Programme by P30.0 billion from P50.0 billion to P80.0 billion. On August 18, 2026, the Bank publicly announced its intention to undertake a bond issuance under the program. As at September 9, 2026, the date of approval of these interim condensed financial statements, the terms, timing, and size of the proposed issuance have not yet been finalized and remain subject to market conditions.

18. Other Matters

Other than the disclosures enumerated above, the Bank has no significant matters to report on the following items during the six months ended June 30, 2026:

- Unusual items because of their nature, size or incidents affecting assets, liabilities, equity, net income or cash flows;
- Any known trends, demands, commitments, events or uncertainties that will have a material impact on liquidity and on sales/revenues from continuing operations;
- Explanatory comments about seasonality or cyclicality of interim operations;
- Issuances, repurchases, and repayments of debt and equity securities; and
- Any material commitments for capital expenditures.

CONFIDENTIAL

AUDITED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED 31 DECEMBER 2025, 2024, AND 2023

C O V E R S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	4	2	2	1

COMPANY NAME

B	A	N	K		O	F		C	O	M	M	E	R	C	E															

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

S	a	n		M	i	g	u	e	l		P	r	o	p	e	r	t	i	e	s		C	e	n	t	r	e			
N	o	.		7	,		S	t	.		F	r	a	n	c	i	s		S	t	r	e	e	t						
M	a	n	d	a	l	u	y	o	n	g		C	i	t	y															

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
N/A	8982-6000	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
162	Last Tuesday of May	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Antonio S. Laquindanum	ASLaquindanum@bankcom.com.ph	8982-6000	N/A

CONTACT PERSON's ADDRESS

12th Floor, San Miguel Properties Centre, No. 7 St. Francis St., Mandaluyong City

Note 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

Joy Marsha H. Garcia-Saylon

From: eafs@bir.gov.ph
Sent: Tuesday, April 7, 2026 2:41 PM
To: Tax Department
Cc: Paulina T. Santos
Subject: Your BIR AFS eSubmission uploads were received

Caution: This message comes from an external organization. Exercise caution when opening attachments or clicking links, especially from unknown senders. When in doubt, contact the Security Administrator IOpD-SecAd@bankcom.com.ph.

Hi BANK OF COMMERCE,

Valid files

- EAFS000440440TCRTY122025-02.pdf
- EAFS000440440OTHTY122025.pdf
- EAFS000440440ITRTY122025.pdf
- EAFS000440440AFSTY122025.pdf
- EAFS000440440TCRTY122025-01.pdf
- EAFS000440440RPTTY122025.pdf
- EAFS000440440TCRTY122025-03.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-AFEF8EJF0L7L9A65P214XXTX07B8GF98G**
Submission Date/Time: **Apr 07, 2026 02:41 PM**
Company TIN: **000-440-440**

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.

Bank of Commerce
An affiliate of San Miguel Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Bank of Commerce** (the **Bank**) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2025, 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 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.

The stockholders appointed the independent auditors Punongbayan & Araullo, for the period December 31, 2025, and R. G. Manabat & Co., for the periods December 31, 2024 and 2023, to audit the financial statements of Bank of Commerce 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.

[redacted]

BENEDICTA DU-BALADAD
Chairperson of the Board

[redacted]

MICHELANGELO R. AGUILAR
President and Chief Executive Officer

[redacted]

ANTONIO S. LAQUINDANUM
Executive Vice President and Chief Financial Officer

Signed this 31st day of March 2026

SUBSCRIBED AND SWORN to before me this MAR 31 2026, affiants exhibiting their Passport ID as follows:

Names	Identification No.	Place of Issue	Valid Until
Benedicta Du-Baladad	[redacted]	[redacted]	[redacted]
Michelangelo R. Aguilar	[redacted]	[redacted]	[redacted]
Antonio S. Laquindanum	[redacted]	[redacted]	[redacted]

Doc. No. 128
Page No. 27
Book No. 9
Series of 2026

Documentary Stamp numbered
15778035
has been attached on one of the original versions of this document set and has been cancelled to prevent its reuse.

ATTY. HILARIO M. DE LEON, JR.
NOTARY PUBLIC until Dec. 31, 2026
Appt. No. [redacted] For Mandaluyong City
Roll of Attorneys No. [redacted]
PTR No. [redacted] 01/06/2025; Mandaluyong City
IBP OR No. [redacted] 01/07/2025; Rizal (RSM) Chapter
MCLE Compliance No. [redacted]
Unit 906 Cityland Shaw Tower
Shaw Blvd. corner St. Francis St., Mandaluyong City

P&A Grant Thornton

FOR SEC FILING

Financial Statements and Independent Auditors' Report

Bank of Commerce

December 31, 2025

P&A
Grant Thornton

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

T +63 2 8988 2288

Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of Commerce (the Bank), which comprise the statement of financial position as at December 31, 2025, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2025, and its financial performance and cash flows for the year then ended, in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards).

Basis for Opinion

We conducted our audit 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), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements of public interest entities in the Philippines. We have also 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 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) Valuation of Loans and Other Receivables (Expected Credit Losses)

Description of the Matter

As at December 31, 2025, the Bank's expected credit losses (ECL) allowance for loans and receivables amounted to P3.12 billion while the carrying amount of loans and receivables amounted to P162.82 billion (as disclosed in Note 12). We have identified the Bank's ECL significant to our audit due to high level of management judgment required in applying PFRS 9, *Financial Instruments*, including the segmentation of credit risk exposures, the determination of default and significant increase in credit risk (SICR), and the use of complex estimation techniques.

The ECL model also involves a substantial estimation uncertainty arising from (a) management's use of key inputs and assumptions such as credit risk ratings, default probabilities, expected cash flows, collateral recoveries, and forward-looking macroeconomic information, and (b) reliance on complex processes and internal controls, and information systems to ensure the completeness and accuracy of data used in the ECL calculation and related disclosures.

Further, in 2025, the Bank recalibrated its ECL framework, introducing enhanced segmentation of corporate and auto loan portfolios and incorporating updated model datasets and refreshed macroeconomic variables, which increased the level of management judgment and estimation uncertainty.

The material accounting policy information, significant judgments, including estimation applied by the management, and those related to the credit risk assessment process of the Bank are disclosed in Notes 3, 4, 5 and 17 to the financial statements.

How the Matter was Addressed in the Audit

We obtained an understanding of the Bank's ECL methodologies, and the selected accounting policies, and internal controls, and evaluated whether these were: (a) designed and implemented in accordance with PFRS 9; (b) appropriate in the context of the Bank's lending activities, credit risk profile, and regulatory environment, and (c) adequately documented to support significant judgments and estimates.

As part of our audit of the Bank's ECL model, including the key judgments and assumptions used therein, we performed the following:

- evaluated the appropriateness of the ECL methodologies, key assumptions, and staging criteria applied, including the definition of default, determination of SICR, and allocation of loans exposures to Stage 1, Stage 2, or Stage 3 based on quantitative or qualitative indicators;

- tested the application of the Bank's internal credit risk rating system and the mapping of credit risk ratings to the ECL calculation;

- assessed the completeness and accuracy of data used in the ECL model parameters by reconciling management-prepared datasets to source systems, evaluated portfolio stratification, verified the accuracy of mathematical formulas and computational logic applied in the ECL calculations;

- assessed the result of the Bank's model recalibration, including the enhanced segmentation of corporate loans and segmentation of loss given default for auto loans by security, by evaluating the appropriateness of the updated key model parameters, the use of refreshed macroeconomic variables, and the consistency of the recalibrated parameters with the Bank's recent internal loss experience and PFRS 9 requirements;

- evaluated the application of forward-looking information by assessing the selection of macroeconomic variables, scenarios, and probability weightings, and comparing forecasted indicators with trusted publicly available data;

- tested loss given default assumptions using historical recovery data, collateral values, recovery cash flows, and write-offs experience;

- reconciled and tested exposure at default to underlying loan records, including undrawn commitments, historical drawdown behavior, and loan modifications; and,

- assessed the completeness and appropriateness of financial statement disclosures relating to ECL, including judgments, assumptions and estimation uncertainties.

(b) Core Banking System Migration

Description of the Matter

In 2025, the Bank completed a major migration of its Core Banking System (CBS) as part of its digital transformation initiative. The migration involved transferring customer, loan, deposit, and transactional data from various multifunctional legacy systems to the Bank's newly reformed core banking system, while simultaneously implementing enhanced automated processes for account booking, interest computation, and general ledger integration.

The migration has been considered a key audit matter due to the volume of data transferred and the complexity of the extraction, transformation, and loading process. Any errors during this transition, from pre-migration activities to post-implementation, could have led to inaccuracies in the financial statements. Additionally, the move introduced new Information Technology (IT) controls and access structures that required our assessment to ensure financial data remained secure and accurate.

How the Matter was Addressed in the Audit

We performed the following procedures with the assistance of our Firm's IT specialist:

- assessed governance and project oversight of the CBS implementation, including system testing, data conversion controls, and the Bank's go-live authorization processes;

- evaluated controls over the data migration, including the extraction, transformation, and loading of data from legacy system, the reconciliation of migrated balances and master file information to source records, and the Bank's resolution of identified discrepancies;

- evaluated IT general controls over access management, user provisioning, and privileged-access restrictions to assess the adequacy of segregation of duties;

- evaluated the continued integrity of financial processing by testing controls for both system migration activities during the transition period to mitigate the risk of inconsistent data processing or reporting errors; and,

- tested the operating effectiveness of key application controls and configurations in the new CBS, including automated interest and fee computations and general-ledger posting routines.

Other Matter

The financial statements of the Bank as at December 31, 2024 and for the years ended December 31, 2024 and 2023 were audited by other auditors whose report, dated March 25, 2025, expressed an unqualified opinion on those financial statements prepared under the same basis of accounting. We were not engaged to audit, review or apply any procedures to the 2024 and 2023 financial statements of the Bank. Accordingly, we do not express an opinion or any other form of assurance on the 2024 and 2023 financial statements of the Bank as a whole.

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, 2025, 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, 2025 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 audit 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.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We remain solely responsible for our audit opinion.

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 to 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 audit is conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 39 to the financial statements, the Bank presented the supplementary information required by the Bureau of Internal Revenue (BIR) under Revenue Regulations (RR) No. 15-2010 in a supplementary schedule filed separately from the basic financial statements. RR No. 15-2010 requires the supplementary information to be presented in the notes to financial statements. The supplementary information for the year ended December 31, 2025, required by the Bangko Sentral ng Pilipinas (BSP) as disclosed in Note 38 to the financial statements is presented for purposes of additional analysis. Such supplementary information required by the BIR and BSP are the responsibility of management and are not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards; it is neither a required disclosure under the Revised Securities Regulation Code Rule 68 of the SEC. The supplementary information have 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.

The engagement partner on the audit resulting in this independent auditors' report is Maria Isabel E. Comedia.

PUNONGBAYAN & ARAULLO



By: Maria Isabel E. Comedia
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 10770756, January 6, 2026, Makati City
SEC Group A Accreditation
Partner - No. 92966-SEC (until financial period 2027)
Firm - No. 0002 (until financial period 2030)
BIR AN 08-002551-021-2025 (until August 6, 2028)
BOA/PRC Cert. of Reg. No. 0002/P-005 (until August 12, 2027)

March 31, 2026

BANK OF COMMERCE
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2025	2024
ASSETS			
Cash and Other Cash Items		**P3,549,485,190**	P4,244,123,801
Due from Bangko Sentral ng Pilipinas	*18*	**18,053,931,266**	47,913,456,924
Due from Other Banks		**2,105,187,140**	3,819,385,135
Interbank Loans Receivable and Securities Purchased under Resale Agreements	*8*	**7,647,508,000**	3,587,364,728
Financial Assets at Fair Value through Profit or Loss	*9*	**5,169,707,944**	2,875,633,794
Financial Assets at Fair Value through Other Comprehensive Income	*10*	**35,018,310,326**	19,078,633,835
Investment Securities at Amortized Cost	*11*	**41,371,074,917**	36,611,668,381
Loans and Receivables	*12*	**162,819,304,700**	136,505,340,381
Investment in an Associate	*13*	**33,421,266**	34,432,505
Property, Equipment and Right-of-Use Assets	*14*	**2,016,723,212**	2,000,100,022
Investment Properties	*15*	**4,115,809,308**	3,992,770,160
Deferred Tax Assets	*32*	**269,766,065**	447,020,544
Other Assets	*16*	**4,683,302,191**	4,330,136,845
		P286,853,531,525	P265,440,067,055
LIABILITIES AND EQUITY			
Deposit Liabilities	*18*		
Demand		**P80,072,537,822**	P63,961,971,799
Savings		**118,415,300,363**	125,100,493,087
Time		**24,826,278,213**	17,916,072,997
Long-term negotiable certificates		**-**	5,029,420,000
		223,314,116,398	212,007,957,883
Financial Liabilities at Fair Value through Profit or Loss	*9*	**2,085,466**	45,214,075
Bonds Payable	*20*	**17,881,000,871**	6,534,447,698
Manager's Checks		**1,797,802,935**	1,414,092,221
Accrued Interest, Taxes and Other Expenses	*21*	**1,349,787,315**	1,098,193,220
Other Liabilities	*22*	**5,930,702,162**	11,110,094,707
Total Liabilities		**250,275,495,147**	232,209,999,804
Equity			
Capital stock	*24*	**18,196,805,900**	18,196,805,900
Paid-in surplus	*24*	**7,229,275,360**	7,229,275,360
Surplus reserves	*25*	**1,583,791,619**	1,169,045,556
Retained earnings	*24*	**9,790,692,161**	7,501,642,690
Remeasurement losses on retirement asset	*29*	**(323,799,559)**	(331,673,141)
Net unrealized gains (losses) on financial assets at fair value through other comprehensive income	*10*	**99,889,342**	(534,761,685)
Cumulative translation adjustment		**6,579,908**	4,760,983
Share in other comprehensive loss of an associate	*13*	**(5,198,353)**	(5,028,412)
Total Equity		**36,578,036,378**	33,230,067,251
		P286,853,531,525	P265,440,067,055

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF INCOME

	Note	2025	2024	2023
			Years Ended December 31	
INTEREST INCOME				
Interest income calculated using the effective interest method:				
Loans and receivables	*12*	**P10,833,711,977**	P9,428,536,340	P8,244,672,503
Investment securities at fair value through other comprehensive income and at amortized cost	*26*	**3,340,321,806**	2,686,906,199	2,247,720,169
Interbank loans receivable and securities purchased under resale agreements	*8*	**553,059,583**	542,047,978	875,706,076
Due from Bangko Sentral ng Pilipinas and other banks	*18*	**304,740,263**	379,439,699	372,909,945
Other interest income:				
Financial assets at fair value through profit or loss	*26*	**285,715,114**	126,909,743	21,561,207
		15,317,548,743	13,163,839,959	11,762,569,900
INTEREST EXPENSE				
Deposit liabilities	*18*	**3,029,162,353**	3,465,676,029	2,971,181,154
Bonds payable	*20*	**1,439,443,339**	532,933,869	412,986,306
Lease liabilities	*30*	**42,710,641**	39,167,445	32,817,258
Bills payable and others	*19*	**27,858,963**	15,132,871	49,098,268
		4,539,175,296	4,052,910,214	3,466,082,986
NET INTEREST INCOME		**10,778,373,447**	9,110,929,745	8,296,486,914
Service charges, fees and commissions	*27*	**947,923,853**	1,074,763,874	886,379,485
Gains on foreclosure and sale of property and equipment and foreclosed assets - net	*14, 15, 16*	**402,394,794**	341,527,134	495,400,228
Foreign exchange gains - net		**251,641,508**	127,618,245	141,121,355
Trading and investment securities gains (losses) - net	*28*	**96,108,624**	(1,040,119)	10,598,350
Miscellaneous	*31*	**132,071,194**	102,575,019	145,276,382
TOTAL OPERATING INCOME		**12,608,513,420**	10,756,373,898	9,975,262,714
Compensation and fringe benefits	*29*	**3,036,895,808**	2,636,796,103	2,258,396,096
Taxes and licenses	*32*	**1,122,806,424**	1,094,552,944	1,063,031,768
Depreciation and amortization	*14, 15, 16*	**672,579,541**	623,167,231	489,379,046
Rent and utilities	*30*	**699,953,848**	622,696,361	647,697,989
Service fees and commissions	*27*	**425,566,062**	495,120,304	417,924,021
Insurance	*18*	**412,855,283**	383,986,220	345,083,471
Provision for credit and impairment losses	*17*	**382,200,529**	139,412,219	78,844,599
Subscription fees		**229,409,379**	106,359,193	188,452,835
Amortization of software costs	*16*	**144,821,164**	95,597,821	76,741,228
Management and professional fees		**92,775,281**	97,913,772	140,883,712
Entertainment and recreation		**16,935,048**	19,367,927	12,142,020
Miscellaneous	*31*	**563,746,679**	498,085,582	519,792,983
TOTAL OPERATING EXPENSES		**7,800,545,046**	6,813,055,677	6,238,369,768

Forward

		Years Ended December 31		
	Note	**2025**	2024	2023
INCOME BEFORE SHARE IN NET LOSS OF AN ASSOCIATE AND INCOME TAX EXPENSE		**P4,807,968,374**	P3,943,318,221	P3,736,892,946
SHARE IN NET LOSS OF AN ASSOCIATE	*13*	**841,298**	610,815	782,580
INCOME BEFORE INCOME TAX EXPENSE		**4,807,127,076**	3,942,707,406	3,736,110,366
INCOME TAX EXPENSE	*32*	**1,267,257,677**	917,768,296	933,891,191
NET INCOME		**P3,539,869,399**	P3,024,939,110	P2,802,219,175
Earnings Per Share Attributable to Equity Holders of the Bank	*36*			
Basic		**P2.32**	P1.98	P1.86
Diluted		**1.95**	1.66	1.54

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31		
		2025	2024	2023
NET INCOME		**P3,539,869,399**	P3,024,939,110	P2,802,219,175
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not be reclassified to profit or loss				
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)	*10*	**165,193,680**	28,054,000	15,857,461
Net change in remeasurement gains (losses) on retirement asset	*29*	**7,873,582**	34,045,756	(287,995,697)
		173,067,262	62,099,756	(272,138,236)
Items that may be reclassified to profit or loss				
Net change in fair value of debt securities at FVOCI	*10*	**501,197,030**	(57,697,078)	308,408,749
Net change in fair value of debt securities at FVOCI taken to profit or loss	*10*	**(16,457,282)**	(1,623,076)	(6,964,361)
Net movement in cumulative translation adjustment		**1,818,925**	6,503,189	(7,621,159)
Share in other comprehensive loss of an associate	*13*	**(169,941)**	(490,444)	(3,206,283)
		486,388,732	(53,307,409)	290,616,946
		659,455,994	8,792,347	18,478,710
TOTAL COMPREHENSIVE INCOME		**P4,199,325,393**	P3,033,731,457	P2,820,697,885

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Note 24)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 10)	Remeasurement Losses on Retirement Asset (Note 29)	Share in Other Comprehensive Loss of an Associate (Note 13)	Cumulative Translation Adjustment	Total Equity
Balance as at January 1, 2025	**P18,196,805,900**	**P7,229,275,360**	**P1,169,045,556**	**P7,501,642,690**	**(P534,761,685)**	**(P331,673,141)**	**(P5,028,412)**	**P4,760,983**	**P33,230,067,251**
Net income for the year	-	-	-	**3,539,869,399**	-	-	-	-	**3,539,869,399**
Other comprehensive income (loss) for the year:									
Items that may not be reclassified to profit or loss:									
Net change in fair value of equity securities at FVOCI	-	-	-	-	**165,193,680**	-	-	-	**165,193,680**
Net change in remeasurement losses on retirement asset	-	-	-	-	-	**7,873,582**	-	-	**7,873,582**
Items that may be reclassified to profit or loss:									
Net change in fair value of debt securities at FVOCI	-	-	-	-	**501,197,030**	-	-	-	**501,197,030**
Net change in fair value of debt securities at FVOCI taken to profit or loss	-	-	-	-	**(16,457,282)**	-	-	-	**(16,457,282)**
Net movement in cumulative translation adjustment	-	-	-	-	-	-	-	**1,818,925**	**1,818,925**
Share in other comprehensive loss of an associate	-	-	-	-	-	-	**(169,941)**	-	**(169,941)**
Total comprehensive income (loss) for the year	-	-	-	**3,539,869,399**	**649,933,428**	**7,873,582**	**(169,941)**	**1,818,925**	**4,199,325,393**
Cash dividend declared	-	-	-	**(851,356,266)**	-	-	-	-	**(851,356,266)**
Transactions within equity:									
Transfer to surplus reserves	-	-	**414,746,063**	**(414,746,063)**	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	-	-	-	**15,282,401**	**(15,282,401)**	-	-	-	-
	-	-	**414,746,063**	**(1,250,819,928)**	**(15,282,401)**	-	-	-	**(851,356,266)**
Balance as at December 31, 2025	**P18,196,805,900**	**P7,229,275,360**	**P1,583,791,619**	**P9,790,692,161**	**P99,889,342**	**(P323,799,559)**	**(P5,198,353)**	**P6,579,908**	**P36,578,036,378**

Years Ended December 31

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

Years Ended December 31

	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Note 24)	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Remeasurement Losses on Retirement Asset (Note 29)	Share in Other Comprehensive Loss of an Associate (Note 13)	Cumulative Translation Adjustment	Total Equity
Balance as at January 1, 2023	P18,196,805,900	P7,229,275,360	P983,407,496	P2,425,229,109	(P730,966,925)	(P77,723,200)	(P1,331,685)	P5,878,953	P28,030,575,008
Net income for the year	-	-	-	2,802,219,175	-	-	-	-	2,802,219,175
Other comprehensive income (loss) for the year:									
Items that may not be reclassified to profit or loss:									
Net change in remeasurement losses on retirement asset	-	-	-	-	-	(287,995,697)	-	-	(287,995,697)
Net change in fair value of equity securities at FVOCI	-	-	-	-	15,857,461	-	-	-	15,857,461
Items that may be reclassified to profit or loss:									
Net change in fair value of debt securities at FVOCI	-	-	-	-	308,408,749	-	-	-	308,408,749
Net movement in cumulative translation adjustment	-	-	-	-	-	-	-	(7,621,159)	(7,621,159)
Net change in fair value of debt securities at FVOCI taken to profit or loss	-	-	-	-	(6,964,361)	-	-	-	(6,964,361)
Share in other comprehensive loss of an associate	-	-	-	-	-	-	(3,206,283)	-	(3,206,283)
Total comprehensive income (loss) for the year	-	-	-	2,802,219,175	317,301,849	(287,995,697)	(3,206,283)	(7,621,159)	2,820,697,885
Transactions within equity:									
Transfer to surplus reserves	-	-	111,596,965	(111,596,965)	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	-	-	-	7,527,455	(7,527,455)	-	-	-	-
	-	-	111,596,965	(104,069,510)	(7,527,455)	-	-	-	-
Balance as at December 31, 2023	P18,196,805,900	P7,229,275,360	P1,095,004,461	P5,123,378,774	(P421,192,531)	(P365,718,897)	(P4,537,968)	(P1,742,206)	P30,851,272,893

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF CASH FLOWS

	Note	2025	2024	2023
			Years Ended December 31	
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax expense		**P4,807,127,076**	P3,942,707,406	P3,736,110,366
Adjustments for:				
Interest expense on bonds payable	*20*	**1,439,443,339**	532,933,869	412,986,306
Depreciation and amortization	*14, 15, 16*	**672,579,541**	623,167,231	489,379,046
Gain on foreclosure and sale of property and equipment and foreclosed assets - net	*14, 15, 16*	**(402,394,794)**	(341,527,134)	(495,400,228)
Provision for credit and impairment losses	*17*	**382,200,529**	139,412,219	78,844,599
Amortization of software costs	*16*	**144,821,164**	95,597,821	76,741,228
Unrealized loss (gain) on financial assets at fair value through profit or loss (FVPL)	*28*	**(65,017,733)**	1,017,785	(22,810,265)
Interest expense on lease liabilities	*30*	**42,710,641**	39,167,445	32,817,258
Gain on sale of financial assets at fair value through other comprehensive income (FVOCI)	*28*	**(16,457,282)**	(1,623,076)	(6,964,361)
Miscellaneous income		**(16,360,248)**	(128,563)	-
Share in net loss of an associate	*13*	**841,298**	610,815	782,580
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Interbank loans receivables	*8*	**138,551,738**	(138,551,738)	-
Financial assets at FVPL		**(2,272,185,026)**	(2,438,846,713)	10,937,613
Loans and receivables		**(27,129,007,738)**	(27,434,228,302)	(4,762,183,490)
Other assets		**(209,473,514)**	(969,092,677)	(478,780,746)
Increase (decrease) in:				
Deposit liabilities		**11,306,158,515**	26,102,588,802	9,638,129,115
Manager's checks		**383,710,714**	(432,407,634)	1,185,045,941
Accrued interest, taxes and other expenses		**193,313,383**	(309,693,260)	217,489,398
Other liabilities		**(5,203,989,207)**	6,952,726,227	(64,244,233)
Net cash generated from (absorbed by) operations		**(15,803,427,604)**	6,363,830,523	10,048,880,127
Income taxes paid		**(1,230,163,869)**	(857,379,603)	(793,239,655)
Net cash provided by (used in) operating activities		**(17,033,591,473)**	5,506,450,920	9,255,640,472

Forward

		Years Ended December 31		
	Note	**2025**	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale or redemption of:				
Investment securities at amortized cost		**P327,291,806,708**	P114,959,240,576	P84,500,327,600
Financial assets at FVOCI		**3,579,824,518**	306,440,323	5,963,068,067
Investment properties		**513,524,953**	210,303,527	238,440,930
Property and equipment		**50,819,504**	43,868,326	49,279,179
Additions to:				
Investment securities at amortized cost		**(332,051,640,868)**	(99,097,828,884)	(84,762,807,309)
Financial assets at FVOCI		**(18,717,925,415)**	(8,370,802,075)	(10,877,648,681)
Property and equipment	*14*	**(296,487,214)**	(446,281,099)	(466,379,345)
Software costs	*16*	**(230,358,709)**	(228,113,759)	(149,908,692)
Investment properties		**(42,592,233)**	(14,077,138)	(21,025,497)
Net cash provided by (used in) investing activities		**(19,903,028,756)**	7,362,749,797	(5,526,653,748)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of bonds payable	*35*	**17,831,211,213**	6,510,558,574	-
Settlement of bonds payable	*35*	**(6,569,750,000)**	(7,500,000,000)	-
Payment of interest on bonds	*20*	**(1,281,179,454)**	(495,836,441)	(376,972,511)
Cash dividends paid	*24*	**(851,356,266)**	(654,937,099)	-
Payment of lease liabilities	*35*	**(267,512,276)**	(248,096,753)	(238,014,973)
Net cash provided by (used in) financing activities		**8,861,413,217**	(2,388,311,719)	(614,987,484)
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		**1,824,886**	6,524,975	(7,624,444)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(28,073,382,126)**	10,487,413,973	3,106,374,796
CASH AND CASH EQUIVALENTS - GROSS AT BEGINNING OF YEAR				
Cash and other cash items		**4,244,123,801**	3,500,645,345	2,735,170,691
Due from Bangko Sentral ng Pilipinas		**47,919,926,114**	24,275,195,629	23,678,666,441
Due from other banks		**3,819,900,855**	1,055,497,093	1,044,396,366
Interbank loans receivable and securities purchased under resale agreements		**3,449,297,350**	20,114,496,080	18,381,225,853
		59,433,248,120	48,945,834,147	45,839,459,351
CASH AND CASH EQUIVALENTS - GROSS AT END OF YEAR				
Cash and other cash items		**3,549,485,190**	4,244,123,801	3,500,645,345
Due from Bangko Sentral ng Pilipinas		**18,056,368,871**	47,919,926,114	24,275,195,629
Due from other banks		**2,105,471,380**	3,819,900,855	1,055,497,093
Interbank loans receivable and securities purchased under resale agreements		**7,648,540,553**	3,449,297,350	20,114,496,080
		P31,359,865,994	P59,433,248,120	P48,945,834,147

Forward

	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM INTEREST AND DIVIDENDS			
Operating Activities			
Interest received	**P15,037,145,411**	P12,965,794,655	P11,694,840,211
Interest paid	**3,077,025,535**	3,562,029,531	2,883,397,684
Dividends received	**2,661,396**	P3,855,229	P5,604,161

See Notes to the Financial Statements.

BANK OF COMMERCE
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

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

The Bank provides services such as deposit products, loans and trade finance, domestic and foreign fund transfers, foreign exchange, credit card and trust services. The Bank's principal place of business is at San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City. The Bank has a total of 140 branches nationwide, including the Head Office, as at December 31, 2025, 2024 and 2023.

San Miguel Properties, Inc. (SMPI) and San Miguel Corporation Retirement Plan (SMCRP) hold 31.91% and 30.84% ownership of the Bank's issued common shares, respectively, as at December 31, 2025 and 2024. Each of these shareholders has significant influence over the Bank. SMC Equivest Corporation holds 100% ownership of the Bank's issued non-voting preferred shares as at December 31, 2025 and 2024.

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

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

On March 27, 2026, the financial statements of the Bank were endorsed by the Audit Committee to the BOD for its approval. The financial statements were approved and authorized for issue by the BOD on March 31, 2026.

2. Basis of Preparation

Statement of Compliance

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

Basis of Measurement

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

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

Functional and Presentation Currency

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

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

Presentation of Financial Statements

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

3. Material Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the adoption of the following amended standard, which became effective beginning January 1, 2025. Unless otherwise indicated, the adoption of this amended standard did not have an impact on the financial statements of the Bank. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Lack of Exchangeability (Amendments to PAS 21, The Effects of Changes in Foreign Exchange Rates). The amendments require entities to assess whether a currency is exchangeable and to determine a spot exchange rate when exchangeability is lacking. These amendments also mandate the disclosure of information that enable users of financial statements to understand the impact of a currency not being exchangeable.

Foreign Currency Transactions and Translation

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

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

The foreign currency-denominated monetary assets and liabilities in the RBU are translated to PHP based on the BAP closing rate prevailing at the end of the year. Foreign currency-denominated income and expenses are translated to PHP at the exchange rates prevailing at transaction dates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

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

Financial Instruments - Initial Recognition

- *Date of Recognition*

  Regular way purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Settlement date accounting refers to: (a) the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Bank. Deposit liabilities, bills payable, bonds payable, and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

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

- *Initial Recognition of Financial Instruments*

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

Financial Instruments - Classification and Subsequent Measurement

Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them.

The Bank's business model for managing financial assets refers to how it manages its financials assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Business Model Assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed;

- how managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

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

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

To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a "more than de minimis" exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

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

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

A financial asset is held for trading if:

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

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

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

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

(ii) Financial Assets at Amortized Cost

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

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included under "Interest income" account in the statements of income. Gains and losses are recognized in the statements of income when the financial asset is derecognized, modified or impaired, as well as through the amortization process. The losses arising from expected credit losses (ECL) is recognized under "Provision for credit and impairment losses" account, while reversals of ECL are recognized under "Reversal of credit and impairment losses" account. The two accounts are netted off in the statements of income. The effects of revaluation on foreign-currency denominated financial assets are recognized under "Foreign exchange gains - net" account in the statements of income.

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

The Bank may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. As at December 31, 2025 and 2024, the Bank has not made such designation.

(iii) Financial Assets at FVOCI

- *Debt Securities*

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

  - the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

  - the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

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

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

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

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

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

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

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

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

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

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

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

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

Financial liabilities are not reclassified.

Modifications of Financial Assets and Financial Liabilities
Financial Assets
If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

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

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- other fees are included in the statements of income and expenses as part of the gain or loss on derecognition.

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

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

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

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

(a) Changes in contractual terms that have a direct impact on the contractual cash flows. For example: changes to limit, tenor (maturity), interest rate, currency, or introduction or removal of features that give rise to cash flows other than payments of principal and interest on the principal amount outstanding;

(b) Changes in contractual terms that do not have a direct impact on the contractual cash flows. For example: changes in security, collateral or other credit enhancements that change the credit risk associated with the loan.

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

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

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

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

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

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

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

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

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

Financial Liabilities

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

Impairment of Financial Assets

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

Expected Credit Loss Methodology

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

Staging Assessment
For non-impaired financial instruments:

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

- Stage 2: Comprised of under-performing financial instruments which have experienced a SICR since initial recognition, but do not have objective evidence of impairment. This stage recognizes a lifetime ECL for the financial instruments categorized under this group.

For credit-impaired financial instruments:

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

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

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

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

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

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

ECL Parameters and Methodologies
ECL is a function of the following credit risk parameters:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at December 31, 2025 and 2024, the Bank did not have any financial instrument that qualified for offsetting.

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

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

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

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

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

Financial Guarantees and Undrawn Loan Commitments

Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. The nominal contractual values of undrawn loan commitments, where the loans agreed to be provided are on market terms, are not recorded in the statements of financial position. These contracts are in the scope of the ECL requirements where the Bank estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to loan commitments is recognized under "Other liabilities" account in the statements of financial position.

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

Investment in an Associate

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

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

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

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

Property and Equipment

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

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts and rebates, and any costs that are directly attributable in bringing the property and equipment to its location and condition necessary for it to be capable of operating in the manner intended by management.

Expenditures incurred after the property and equipment have been put to operation, such as repairs and maintenance, are normally charged against operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in the increase in the future economic benefits to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

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

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

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

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

Investment Properties

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

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

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

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or 10 years, whichever is lower. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

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

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

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

Other Properties Acquired

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

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or three years, whichever is lower. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

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

An item of other properties acquired is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

Intangible Assets

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

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

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

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

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

Impairment of Investment in an Associate and Non-financial Assets
Investment in an Associate, Property, Equipment and Right-of-Use Assets, Investment Properties, Other Properties Acquired and Intangible Assets under "Other Assets"
At each reporting date, the Bank assesses whether there is any indication of impairment on investment in an associate, property, equipment and right-of-use assets, investment properties, other properties acquired and intangible assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of the net recoverable amount.

The net recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the net recoverable amount is assessed as part of the cash-generating unit to which it belongs. Value in use is the present value of future cash flows expected to be derived from an asset or cash-generating unit while fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable and willing parties less any costs of disposal. Where the carrying amount of an asset (or cash-generating unit) exceeds its net recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

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

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

After such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair Value Measurement

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

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

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

The principal or the most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair Value Hierarchy

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

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

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities.

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

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

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

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

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

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

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

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

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

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

Revenues Within the Scope of PFRS 15
The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

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

Fees and Commissions

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

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

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

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

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

Revenues Outside the Scope of PFRS 15

Interest Income
Interest income is recognized in the statements of income for all financial assets measured at amortized cost and debt securities at FVOCI as they accrue, using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all the contractual terms of the financial instruments including any fees or incremental costs that are directly attributable to the instrument and are integral part of the EIR, but not future credit losses.

The EIR is established on initial recognition of the financial asset and liability and is not revised subsequently, except for repricing loans. The carrying amount of the financial asset or liability is adjusted if the Bank revises its estimates of payments or receipts. The change in carrying amount is recognized in the statements of income as interest income or expense.

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

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "Impairment of Financial Assets" accounting policy section), the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

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

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

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

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

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

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

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

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

Employee Benefits

Short-term Employee Benefits

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

Retirement Benefits

The Bank has a funded, noncontributory defined benefit plan administered by a trustee. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The retirement cost is generally funded through payments to a trustee-administered fund, determined by annual actuarial calculations.

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

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

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

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

Equity

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

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

"Retained Earnings" represents the accumulated earnings of the Bank.

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

Leases

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

Bank as Lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. These reflect uncertainty related to income taxes, if there is any.

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

Provisions
Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is charged to current operations, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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

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

The Bank has established policies and procedures governing the handling of related party transactions in accordance with BSP and SEC regulations to ensure that related party transactions are entered into on arm's length bases and are consistent with the Bank's and its stakeholders' best interests.

Material related party transactions whose value exceeds 10% of the Bank's total resources based on its latest audited financial statements, either individually or aggregated within a 12-month period, with the same related party, shall require approval by at least two-thirds vote of the BOD with at least a majority of the independent directors voting to approve the material related party transaction prior to the execution of the material related party transaction. 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.

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

Fiduciary Activities

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

Amendments to Standards Issued but Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2025. However, the Bank has not early adopted the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements.

Effective January 1, 2026

- *Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 Financial Instruments and PFRS 7 Financial Instruments: Disclosures).* The amendments clarify and refine the classification and measurement guidance in PFRS 9, particularly when to derecognize financial liabilities (generally on settlement date) and introduce an accounting policy option to derecognize certain liabilities earlier when settled via electronic payment systems if specified conditions are met.

  These also clarify contractual cash flow assessments for financial assets with contingent [including Environmental, Social and Governance (ESG) goal-linked] features and provide guidance on non-recourse assets and contractually linked instruments. Correspondingly, PFRS 7 adds enhanced disclosures for instruments with contingent-ESG-linked terms and for equity instruments designated at FVOCI.

- *Amendments to Contracts Referencing Nature-dependent Electricity (Amendments to PFRS 9 and PFRS 7)*

- *Annual Improvements to PFRS Accounting Standards – Volume 11*

  - *Gain or Loss on Derecognition (Amendments to PFRS 7).* The amendments update the old reference to 'inputs that were not based on observable market data' with 'unobservable inputs', aligned with PFRS 13 Fair Value Measurement.

  - *Introduction, Disclosure of Difference Between Fair Value and Transaction Price, and Credit Risk Disclosures (Amendments to Guidance on implementing PFRS 7).* The amendments:

    - clarify that the implementation guidance does not cover all disclosure requirements in PFRS 7;
    - align the wording on deferred differences between fair value and transaction price with PFRS 7, PFRS 9 and PFRS 13; and,
    - simplify the credit risk disclosure wording to clarify that the illustration of purchased or originated credit-impaired financial assets.

- *Derecognition of Lease Liabilities and Transaction Price (Amendments to PFRS 9).* The amendments:

  - clarify that when a lessee has determined a lease liability is extinguished in accordance with PFRS 9, the resulting difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss; and
  - replaced the term 'their transaction price (as defined in IFRS 15)' with 'the amount determined by applying IFRS 15' because a receivable might be initially measured at an amount that differs from the transaction price recognized as revenue, for example, when you recognize full amount for consideration that's unconditionally receivable but at the same time recognize expected refund liability with respect to retrospective rebates. Consequently, the definition of the transaction price has been deleted.

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

Effective January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements* will replace PAS 1 *Presentation of Financial Statements* and applies for annual reporting periods beginning on or after 1 January 2027. The new standard 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 statements and in the notes. It also introduces required disclosures about management-defined performance measures (MPMs). The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.

  The Bank is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Bank's statement of income, the statement of cash flows and the additional disclosures required for MPMs. The Bank is also assessing the impact on how information is aggregated and disaggregated in the financial statements.

4. Critical Judgments and Estimates

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

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

Significant Judgments

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

a) Leases

Bank as Lessee

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

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

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

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

Bank as Lessor

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

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

b) Business Model Assessment

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

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

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

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

c) Testing the Cash Flow Characteristics of Financial Assets

In determining the classification of financial assets under PFRS 9, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated.

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

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

d) Functional Currency

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

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

- the currency in which funds from financing activities are generated; and

- the currency in which receipts from operating activities are usually retained.

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

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

e) Provisions and Contingencies

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

Estimates

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

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

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

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

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

- The Bank uses three economic scenarios to arrive at probability-weighted ECL estimates. These scenarios represent a most likely outcome (that is, the 'Baseline' or central scenario) and two less likely scenarios on the either side of the central (that is, the 'Optimistic' and 'Pessimistic', respectively). The scenario weights are developed based on the relative frequency distribution of historical GDP data. Both the 'Optimistic' and 'Pessimistic' scenarios reflect the lower and upper levels whereas the 'Baseline' scenario represents the central distribution; and

The Bank regularly refreshed the ECL framework. In 2024, updates on the ECL parameters involved the following:

- The most recent data was applied for PD, LGD and EAD;
- LGD estimates for corporate loans were updated; and
- The MEVs were tested and updated based on the incremental data during refresh. The updated MEVs include Remittances, Loan Performances, VAPI, Stock Exchange Index, Consumer Outlook, Foreign Exchange rates, Employment Index & Unemployment rate and GDP (Exports and Agriculture).

In 2025, updates on the ECL parameters involved the following:

- The most recent data was applied for PD, LGD and EAD;
- Segmentation of corporate loans to differentiate PD for large corporates and micro, small and medium enterprises (MSMEs);
- Segmentation of auto loans to differentiate losses (LGD) from secured and unsecured loans; and
- The MEVs were tested and updated based on the incremental data during refresh. The updated MEVs include VAPI, Stock Exchange Index, Consumer Outlook, Foreign Exchange rates, Employment Index & Unemployment rate, GDP (Exports and Agriculture), Inflation rate, and market-driven benchmark rate (BVAL).

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

(ii) Fair Value of Financial Instruments

Where the fair values of financial assets and liabilities (including derivatives) recognized in the statements of financial position cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These estimates may include consideration of liquidity, volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(iii) Fair Value of Investment Properties

The Bank's investment properties are composed of land and buildings which are measured using cost model. The estimated fair value of investment properties disclosed in Notes 6 and 15 is determined by either an independent or internal appraiser on the basis of current appraised values of the properties or similar properties in the same location and condition.

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.

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

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

a) significant underperformance relative to expected historical or projected future operating results;

b) significant changes in the manner of use of the acquired assets or the strategy for overall business; and

c) significant negative industry or economic trends.

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

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

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

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

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

(vi) Recognition of Deferred Tax Assets

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

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

(vii) Valuation of Retirement Benefit Obligation and Related Plan Assets

The cost of retirement benefits and other post-employment benefits are determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty. The assumed discount rates were determined using the prevailing market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at reporting date.

Further, the Bank's retirement benefit plan maintains plan assets that are measured at fair value. The fair value of plan assets is determined based on the latest valuation reports from the administering trust company, using quoted market prices for instruments that are actively traded and valuation techniques such as the discounted cash flow method for assets without quoted prices.

The present value of the Bank's retirement obligation and the fair value of plan assets, including the analysis of the movements and related income and expenses, are disclosed in Note 29.

(viii) Contingencies

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

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

5. Financial Risk Management Objectives and Policies

Introduction

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

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

Risk Management Structure

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

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

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

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

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

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

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

Risk Management Division (RSK)
The RSK reports to the BROC and is responsible for assessing and monitoring the risk-taking activities of the Bank whether exposures remain at acceptable levels based on the Board-approved Risk Appetite. It coordinates with Finance and Controllership Group on the adequacy of the Bank's capital in absorbing the risks present in the Bank's business. It formulates and recommends policies to manage market, liquidity, credit, operational, information technology, and trust risks arising from the business of the Bank. RSK also assists the BROC in actively promoting a culture of risk awareness and risk management.

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

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

Internal Capital Adequacy Assessment Process (ICAAP) Steering Committee (ICAAPcom)
The ICAAPcom is responsible for managing the Bank's ICAAP to ensure that mandated minimum capital requirements are met and that capital levels are sufficient to cover the Bank's risk exposures driven by its strategic plans.

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

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

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

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

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

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

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

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

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

Risk Mitigation

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

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

Risk Concentration

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

Credit Risk

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

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

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

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

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

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

Credit Risk Exposures
The table below shows the Bank's maximum exposure on receivables from customers and sales contract receivables, net of unearned interest income and allowance for credit losses, before and after collateral to credit risk as at December 31, 2025 and 2024:

	December 31, 2025		December 31, 2024	
	Maximum Exposure		Maximum Exposure	
	Before Collateral	**After Financial Effect of Collateral or Credit Enhancement**	Before Collateral	After Financial Effect of Collateral or Credit Enhancement
Receivables from customers:				
Term loans	**P123,908,336,755**	**P119,156,324,545**	P102,122,054,012	P95,440,542,042
Agri-agra loans	**13,200,586,952**	**13,099,936,806**	13,570,344,235	13,566,502,013
Housing loans	**12,230,064,280**	**7,127,635,584**	9,479,983,651	6,625,490,914
Auto loans	**6,032,585,960**	**3,691,257,400**	4,817,361,550	4,555,858,290
Bills purchased, import bills and trust receipts	**1,531,079,655**	**1,531,079,655**	1,177,712,704	1,177,712,704
Direct advances	**282,612,834**	**11,488,460**	293,010,557	5,844,940
Others	**2,696,555,631**	**2,696,555,631**	2,301,332,860	2,301,172,355
	159,881,822,067	**147,314,278,081**	133,761,799,569	123,673,123,258
Sales contract receivables	**225,420,385**	**-**	278,434,248	-
	P160,107,242,452	**P147,314,278,081**	P134,040,233,817	P123,673,123,258

For the other financial assets, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2025 and 2024.

As at December 31, 2025 and 2024, fair value of collaterals held for loans and receivables amounted to P24.5 billion and P18.5 billion, respectively.

The table below shows the Bank's maximum exposures, net of unearned interest income, relating to financial assets carried under Stage 3 as at December 31, 2025 and 2024:

	December 31, 2025			
	Maximum Exposure			
	Before Collateral	**Financial Effect of Collateral or Credit Enhancement**	**After Financial Effect of Collateral or Credit Enhancement**	**Expected Credit Loss**
Receivables from customers:				
Term loans	**P678,163,855**	**P14,022,793**	**P664,141,062**	**P321,461,564**
Agri-agra loans	**313,031,389**	**41,744,572**	**271,286,817**	**203,967,261**
Housing loans	**265,332,024**	**175,372,054**	**89,959,970**	**40,464,764**
Auto loans	**545,905,215**	**408,090,587**	**137,814,628**	**281,060,199**
Bills purchased, import bills and trust receipts	**10,878,153**	**-**	**10,878,153**	**10,878,153**
Direct advances	**89,412,393**	**14,943,109**	**74,469,284**	**79,509,284**
Others*	**357,801,746**	**183,896**	**357,617,850**	**262,660,357**
	2,260,524,775	**654,357,011**	**1,606,167,764**	**1,200,001,582**
Sales contract receivables	**97,261,064**	**43,648,057**	**53,613,007**	**54,049,487**
	P2,357,785,839	**P698,005,068**	**P1,659,780,771**	**P1,254,051,069**

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

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

For the other financial assets carried under Stage 3, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2025 and 2024.

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

The main types of collaterals obtained are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Group Affiliation:

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

(b) If the BRR of the subsidiary is better than the parent, a downgrade can be considered especially if the parent has a BRR of 5 or worse.

(c) If the parent has a BRR of 5 or lower and the subsidiary was also rated 5 or worse, it can retain its own rating.

(d) If there are criteria such as the medium and long-term outlook, special risks that can grievously affect the company and outweigh the other criteria, a possible downgrade can be considered.

(e) Companies with rapid expansion without a strong driving force or only on account of a single customer are also potential for downgrading.

FRF:

(a) The FRF is an adjustment in the BRR that considers the transactional influence. It takes into account the quality of each facility. It is important to note that a Borrower can have only 1 BRR but several FRF for its multiple facilities. FRF evaluates the different security arrangements; the quantity and the quality of the collateral cover for each facility.

(b) Collaterals are assessed at the net realizable value in a liquidation scenario. In evaluating the worthiness of the collateral, the quality of the documentation and the possible subordination of the Bank's claim should also be considered.

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

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

The following table shows the credit quality of loans and receivables, excluding unquoted debt securities (gross of allowance for credit losses and net of unearned interest income) as at December 31, 2025 and 2024 (amounts in thousands).

	December 31, 2025										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Neither past due nor impaired:											
High grade	**P46,610,848**	**P -**	**P -**	**P1,367,723**	**P259,479**	**P -**	**P -**	**P48,238,050**	**P -**	**P1,291,175**	**P49,529,225**
Standard grade	**73,572,330**	**-**	**-**	**165,234**	**9,686**	**10,490,472**	**-**	**84,237,722**	**-**	**570,406**	**84,808,128**
Subject to scoring and unrated	**-**	**11,762,451**	**5,581,212**	**-**	**-**	**-**	**2,585,303**	**19,928,966**	**173,610**	**788,383**	**20,890,959**
	120,183,178	**11,762,451**	**5,581,212**	**1,532,957**	**269,165**	**10,490,472**	**2,585,303**	**152,404,738**	**173,610**	**2,649,964**	**155,228,312**
Stage 2											
Neither past due nor impaired:											
Standard grade	**2,947,810**	**-**	**-**	**-**	**-**	**2,792,525**	**-**	**5,740,335**	**-**	**45,838**	**5,786,173**
Substandard grade	**710,000**	**-**	**-**	**-**	**603**	**-**	**-**	**710,603**	**-**	**1,968**	**712,571**
Past due but not impaired	**-**	**255,708**	**206,384**	**-**	**3,053**	**-**	**105,419**	**570,564**	**10,439**	**48,378**	**629,381**
Impaired	**37,500**	**-**	**-**	**-**	**-**	**-**	**-**	**37,500**	**-**	**-**	**37,500**
	3,695,310	**255,708**	**206,384**	**-**	**3,656**	**2,792,525**	**105,419**	**7,059,002**	**10,439**	**96,184**	**7,165,625**
Stage 3											
Impaired	**678,164**	**265,332**	**545,905**	**10,878**	**89,413**	**313,031**	**357,802**	**2,260,525**	**97,261**	**891,459**	**3,249,245**
	678,164	**265,332**	**545,905**	**10,878**	**89,413**	**313,031**	**357,802**	**2,260,525**	**97,261**	**891,459**	**3,249,245**
	P124,556,652	**P12,283,491**	**P6,333,501**	**P1,543,835**	**P362,234**	**P13,596,028**	**P3,048,524**	**P161,724,265**	**P281,310**	**P3,637,607**	**P165,643,182**

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

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

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

The following table shows the credit quality of loan commitment and financial guarantee contracts as at December 31, 2025 and 2024 (amounts in thousands).

	December 31, 2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	**P1,185,891**	**P -**	**P -**	**P1,185,891**
Standard grade	**22,798,116**	**-**	**-**	**22,798,116**
Subject to scoring*	**4,427,078**	**-**	**-**	**4,427,078**
Impaired	**-**	**-**	**10,000**	**10,000**
	P28,411,085	**P -**	**P10,000**	**P28,421,085**

**Comprised of unused credit card lines.*

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

**Comprised of unused credit card lines.*

Sensitivity of ECL to Future Economic Conditions

Set out below are the changes to the Bank's ECL in 2025 and 2024 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions.

	December 31, 2025			
	Change in MEV		Impact on ECL	
	Increase	Decrease	Impact of 1% Increase in MEV	Impact of 1% Decrease in MEV
Corporate MEV				
Inflation Rate: annual change in inflation with reference to 2018 year lagged over 6 months	1%	1%	-0.01%	0.01%
Quarterly change of the Philippine Treasury Reference Rates – PHP BVAL Tenor-20Y; lagged to 6 months				
Month end Philippines Stock Exchange Index lagged over 9 months*				
VAPI of key manufacturing enterprises by industry (2018 = 100, growth rates in percentage) *				
Auto MEV				
Annual change of the monthly inflation rate lagged over 12 months	1%	1%	0.01%	-0.01%
Monthly Unemployment Rate lagged over 11 months				
Consumer Expectations Survey: Quarterly Consumer Outlook (current) lagged over 3 months*				
Annual change of value of production index (VAPI) of key manufacturing enterprises by industry (2018 = 100, growth rates in percentage for periods indicated) lagged over 6 months*				
Housing MEV				
Inflation Rate: annual change in inflation with reference to 2018 year lagged over 9 months	1%	1%	0.01%	-0.01%
Monthly unemployment rate lagged over 12 months				
Consumer Expectations Survey: Quarterly Consumer Outlook (current) lagged over 3 months*				
Salary MEV				
Monthly unemployment rate, lagged over 8 months	1%	1%	1.06%	2.25%
Lag 12 of the annual change in month end Philippine Stock Exchange Index*				
Consumer Expectations Survey: Quarterly Consumer Outlook (current) lagged over 12 months*				
A 12-month lag of the annual change of the Agriculture, Fishery and Forestry, current prices*				

**These variables have a negative relationship with default*

	December 31, 2024			
	Change in MEV		Impact on ECL	
	Increase	Decrease	Impact of 1% Increase in MEV	Impact of 1% Decrease in MEV
Corporate MEV				
Out-of-period Foreign Exchange rate: Monthly averages of the Japanese Yen per Philippine Peso lagged over 3 months	1%	1%	-0.07%	0.08%
Lag 3 of the annual change of the Overseas Filipino Personal Remittance*				
Month-end Philippine Stock Exchange Index*				
Out-of-period Consumer Expectations Survey Quarterly*				
6-month lag of the annual change of the Agriculture, Fishery and Forestry, current prices*				
Auto MEV				
Annual change of monthly Overseas Filipino personal remittance (in MN USD): Lagged over 3 months*	1%	1%	-0.16%	0.17%
Annual change of the quarterly Unemployment Rate: Lagged over 12-month				
Annual change of value of production index (VAPI) of key manufacturing enterprises by industry (2018 = 100, growth rates in percent for periods indicated): Lagged over 3 months*				
Housing MEV				
3-month lag of the annual change of : (Gross NPL/Total Loans)	1%	1%	0.03%	-0.03%
Lagged over 21 months variable of the Consumer Expectations Survey next 12 months (rate)*				
6-month lag of the annual change of the current prices of the Exports of Goods and Services*				
Foreign Exchange rate: Monthly averages of the Japanese Yen per Philippine Peso lagged over 2-month				
Salary MEV				
A 6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)	1%	1%	-0.72%	0.77%
Out-of-Pattern variable of the month-end Philippine Stock Exchange Index: Lagged 3 month*				
Consumer Expectations Survey next 3months (rate)*				
6-month lag of the annual change of the Agriculture, Fishery and Forestry, current prices*				

**These variables have a negative relationship with default*

Loans with Renegotiated Terms

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

	December 31, 2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Term loans	**P -**	**P37,500,000**	**P514,827,933**	**P552,327,933**
Agri-Agra loans	**-**	**-**	**313,031,389**	**313,031,389**
Housing loans	**20,358,494**	**641,911**	**1,342,694**	**22,343,099**
Others	**80,145**	**14,935,612**	**61,638,610**	**76,654,367**
	P20,438,639	**P53,077,523**	**P890,840,626**	**P964,356,788**

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
Term loans	P -	P75,000,000	P536,885,114	P611,885,114
Agri-Agra loans	-	-	131,257,842	131,257,842
Housing loans	25,994,409	468,268	2,374,350	28,837,027
Others	144,261	19,562,213	74,422,558	94,129,032
	P26,138,670	P95,030,481	P744,939,864	P866,109,015

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

	December 31, 2025		
	AA - A	**BBB and Below or Unrated**	**Total**
Loans and advances to banks: **			
Due from BSP	**P18,056,368,871**	**P -**	**P18,056,368,871**
Due from other banks	**1,584,211,421**	**521,259,959**	**2,105,471,380**
Interbank loans receivable and SPURA	**7,648,540,553**	**-**	**7,648,540,553**
	27,289,120,845	**521,259,959**	**27,810,380,804**
Financial assets at FVPL:			
Government securities held-for-trading	**-**	**5,132,997,906**	**5,132,997,906**
Derivative assets*	**-**	**36,710,038**	**36,710,038**
	-	**5,169,707,944**	**5,169,707,944**
Financial assets at FVOCI:			
Government securities**	**-**	**34,793,433,601**	**34,793,433,601**
Equity securities	**-**	**224,876,725**	**224,876,725**
	-	**35,018,310,326**	**35,018,310,326**
Investment securities at amortized cost:			
Government securities**	**5,288,295,767**	**34,191,371,976**	**39,479,667,743**
Private debt securities**	**17,949,514**	**1,878,156,348**	**1,896,105,862**
	5,306,245,281	**36,069,528,324**	**41,375,773,605**
Loans and receivables - gross:			
Unquoted debt securities***	**-**	**291,578,219**	**291,578,219**
	P32,595,366,126	**P77,070,384,772**	**P109,665,750,898**

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

**Unrated derivatives pertain to warrants*
***Accounts are neither past due nor impaired and carried at Stage 1*
****Accounts are impaired and carried at Stage 3*

Aging Analysis of Past Due but not Impaired
The table below shows the aging of past due but not impaired loans and receivables as at December 31, 2025 and 2024.

	December 31, 2025			
	1 - 30 Days	**31 - 60 Days**	**61 - 90 Days**	**Total**
Receivable from customers (gross):				
Housing loans	**P23,469,104**	**P170,632,758**	**P61,605,978**	**P255,707,840**
Auto loans	**-**	**125,214,584**	**81,169,807**	**206,384,391**
Direct advances	**-**	**3,053,081**	**-**	**3,053,081**
Others	**52,063,070**	**51,146,731**	**2,209,160**	**105,418,961**
Sales contract receivables	**-**	**2,594,483**	**7,844,600**	**10,439,083**
Other receivables*	**355,892**	**29,365,865**	**18,657,106**	**48,378,863**
	P75,888,066	**P382,007,502**	**P171,486,651**	**P629,382,219**

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

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

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

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

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

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

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

The Bank also manages its liquidity position through the monitoring of a Maximum Cumulative Outflow against a Board-approved limit. This process measures and estimates projected funding requirements that the Bank will need at specific time horizons. The table below sets forth the Bank's liquidity gap as at December 31, 2025 and 2024 (amounts in millions):

	December 31, 2025								
	Up to 1 Month	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**1 - 3 Years**	**3 - 5 Years**	**Beyond 5 Years**	**Non-maturity**	**Total**
Resources									
Cash and COCI	**P3,549**	**P -**	**P -**	**P -**	**P -**	**P -**	**P -**	**P -**	**P3,549**
Due from BSP	**8,979**	**1,156**	**1,691**	**1,404**	**397**	**318**	**3**	**4,106**	**18,054**
Due from other banks	**4,087**	**-**	**-**	**-**	**-**	**-**	**-**	**19**	**4,106**
Interbank loans receivable	**5,647**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,647**
Financial assets at FVPL	**436**	**389**	**1,212**	**1,871**	**1,225**	**-**	**-**	**37**	**5,170**
Financial assets at FVOCI	**185**	**201**	**2,351**	**5,303**	**26,753**	**-**	**-**	**46**	**34,839**
Investment securities at Amortized Cost (AC)	**5,291**	**4,012**	**3,900**	**-**	**10,553**	**6,134**	**10,276**	**1,261**	**41,427**
Loans - net	**4,825**	**24,516**	**13,805**	**14,083**	**34,835**	**26,370**	**36,801**	**4,664**	**159,899**
Other resources	**4,450**	**1,912**	**138**	**27**	**280**	**147**	**524**	**5,062**	**12,540**
	P37,449	**P32,186**	**P23,097**	**P22,688**	**P74,043**	**P32,969**	**P47,604**	**P15,195**	**P285,231**
Liabilities and Equity									
Deposit liabilities:	**P60,294**	**P37,956**	**P30,151**	**P4,191**	**P446**	**P56**	**P10**	**P90,210**	**P223,314**
Demand deposits	**11,230**	**11,649**	**3,979**	**1,941**	**-**	**-**	**-**	**51,274**	**80,073**
Savings deposits	**7,341**	**4,095**	**424**	**647**	**-**	**-**	**-**	**38,936**	**51,443**
Time deposits	**41,723**	**22,212**	**25,748**	**1,603**	**446**	**56**	**10**	**-**	**91,798**
Bonds payable	**-**	**-**	**-**	**-**	**7,993**	**10,007**	**-**	**(119)**	**17,881**
Other liabilities	**5,494**	**238**	**-**	**-**	**284**	**-**	**-**	**3,092**	**9,108**
	65,788	**38,194**	**30,151**	**4,191**	**8,723**	**10,063**	**10**	**93,183**	**250,303**
Capital funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**34,928**	**34,928**
	P65,788	**P38,194**	**P30,151**	**P4,191**	**P8,723**	**P10,063**	**P10**	**P128,111**	**P285,231**
On-book gap	**(P28,339)**	**(P6,008)**	**(P7,054)**	**P18,497**	**P65,320**	**P22,906**	**P47,594**	**(P112,916)**	**P -**
Contingent resources	**P1,260**	**P -**	**P -**	**P -**	**P -**	**P -**	**P -**	**P -**	**P1,260**
Contingent liabilities	**10,146**	**1,729**	**187**	**4,111**	**2,185**	**-**	**-**	**83,261**	**101,619**
Off-book gap	**(P8,886)**	**(P1,729)**	**(P187)**	**(P4,111)**	**(P2,185)**	**P -**	**P -**	**(P83,261)**	**(P100,359)**
Cumulative total gap	**(P37,225)**	**(P7,737)**	**(P7,241)**	**P14,386**	**P63,135**	**P22,906**	**P47,594**	**(P196,177)**	**(P100,359)**

	December 31, 2024								
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-maturity	Total
Resources									
Cash and COCI	P4,244	P -	P -	P -	P -	P -	P -	P -	P4,244
Due from BSP	37,062	1,076	1,896	2,250	268	33	6	5,322	47,913
Due from other banks	7,267	-	-	-	-	-	-	1	7,268
Interbank loans receivable	-	139	-	-	-	-	-	-	139
Financial assets at FVPL	892	459	846	477	138	-	-	64	2,876
Financial assets at FVOCI	283	366	1,674	3,195	13,518	-	-	38	19,074
Investment securities at AC	500	324	264	5,618	14,579	6,021	8,089	1,278	36,673
Loans - net	4,998	24,935	17,388	14,605	25,782	16,980	26,130	2,945	133,763
Other resources	1,438	1,569	113	2	55	168	7	8,612	11,964
	P56,684	P28,868	P22,181	P26,147	P54,340	P23,202	P34,232	P18,260	P263,914
Liabilities and Equity									
Deposit liabilities:	P58,771	P30,779	P31,872	P9,351	P610	P77	P14	P80,534	P212,008
Demand deposits	7,610	7,506	2,048	1,777	-	-	-	45,021	63,962
Savings deposits	5,918	3,773	9	-	-	-	-	35,513	45,213
Time deposits	45,243	19,500	29,815	2,545	610	77	14	-	97,804
Long-term negotiable certificates	-	-	-	5,029	-	-	-	-	5,029
Bonds payable	-	-	-	6,534	-	-	-	-	6,534
Other liabilities	10,752	332	-	-	214	-	-	2,448	13,746
	69,523	31,111	31,872	15,885	824	77	14	82,982	232,288
Capital funds	-	-	-	-	-	-	-	31,626	31,626
	P69,523	P31,111	P31,872	P15,885	P824	P77	P14	P114,608	P263,914
On-book gap	(P12,839)	(P2,243)	(P9,691)	P10,262	P53,516	P23,125	P34,218	(P96,348)	P -
Contingent resources	P3,149	P289	P -	P -	P -	P -	P -	P -	P3,438
Contingent liabilities	12,661	907	125	-	4,505	-	-	90,546	108,744
Off-book gap	(P9,512)	(P618)	(P125)	P -	(P4,505)	P -	P -	(P90,546)	(P105,306)
Cumulative total gap	(P22,351)	(P2,861)	(P9,816)	P10,262	P49,011	P23,125	P34,218	(P186,894)	(P105,306)

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

Analysis of Financial Liabilities by Remaining Contractual Maturities
The table below summarizes the maturity profile of the Bank's financial liabilities as at December 31, 2025 and 2024 based on contractual undiscounted repayment obligations (amounts in thousands).

	December 31, 2025					
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
Deposit liabilities:						
Demand	**P80,072,538**	**P -**	**P -**	**P -**	**P -**	**P80,072,538**
Savings	**51,493,569**	**66,082,133**	**956,140**	**7,578**	**-**	**118,539,420**
Time	**40,836**	**23,646,583**	**1,033,380**	**207,666**	**-**	**24,928,465**
Financial liabilities at FVPL	**-**	**2,085**	**-**	**-**	**-**	**2,085**
Bonds payable	**-**	**278,709**	**848,653**	**19,802,877**	**-**	**20,930,239**
Manager's checks	**-**	**1,797,803**	**-**	**-**	**-**	**1,797,803**
Accrued interest and other expenses*	**-**	**887,039**	**-**	**-**	**-**	**887,039**
Lease liabilities	**-**	**44,179**	**211,871**	**480,708**	**25,793**	**762,551**
Other liabilities**	**-**	**3,839,687**	**887,401**	**312,044**	**-**	**5,039,132**
Total Undiscounted Financial Liabilities	**P131,606,943**	**P96,578,218**	**P3,937,445**	**P20,810,873**	**P25,793**	**P252,959,272**

**amounts exclude accruals of employee and other benefits, taxes payable and rent*
***amounts exclude withholding tax payable and ECL on off-balance sheet exposures*

	December 31, 2024					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
Deposit liabilities:						
Demand	P63,961,972	P -	P -	P -	P -	P63,961,972
Savings	45,216,717	78,786,958	1,210,133	-	-	125,213,808
Time	13,598	16,452,949	1,247,703	290,588	-	18,004,838
Long-term negotiable certificates	-	55,952	5,135,038	-	-	5,190,990
Financial liabilities at FVPL	-	45,214	-	-	-	45,214
Bonds payable	-	106,604	6,841,649	-	-	6,948,253
Manager's checks	-	1,414,092	-	-	-	1,414,092
Accrued interest and other expenses*	-	748,774	-	-	-	748,774
Lease liabilities	-	42,179	189,700	485,855	25,710	743,444
Other liabilities**	-	8,965,335	954,148	301,145	-	10,220,628
Total Undiscounted Financial Liabilities	P109,192,287	P106,618,057	P15,578,371	P1,077,588	P25,710	P232,492,013

**amounts exclude accruals of employee and other benefits, taxes payable and rent*
***amounts exclude withholding tax payable and ECL on off-balance sheet exposures*

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

	December 31, 2025				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Commitments	**P4,427,078**	**P2,288,625**	**P14,107,305**	**P7,598,077**	**P28,421,085**
Contingent liabilities	**65,055,643**	**2,866,380**	**1,680,824**	**3,761,253**	**73,364,100**
	P69,482,721	**P5,155,005**	**P15,788,129**	**P11,359,330**	**P101,785,185**

	December 31, 2024				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Commitments	P3,866,333	P1,969,134	P13,043,118	P10,853,800	P29,732,385
Contingent liabilities	69,250,361	6,118,951	159,154	3,313,800	78,842,266
	P73,116,694	P8,088,085	P13,202,272	P14,167,600	P108,574,651

Interest Rate Risk in the Banking Book

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

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

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

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

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

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

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

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

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

The table below sets forth the Bank's interest rate repricing gap as at December 31, 2025 and 2024 (amounts in millions).

	December 31, 2025								
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	Total
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P3,549	P3,549
Due from BSP	7,519	-	-	-	-	-	-	10,535	18,054
Due from other banks	-	-	-	-	-	-	-	4,106	4,106
Interbank loans receivable	5,647	-	-	-	-	-	-	-	5,647
Financial assets at FVPL	-	-	-	-	-	-	-	5,170	5,170
Financial assets at FVOCI	184	200	2,343	5,285	26,882	-	-	(55)	34,839
Investment securities at AC	5,288	4,029	3,901	-	11,380	6,270	10,861	(302)	41,427
Loans - net	40,964	30,326	13,496	10,893	22,486	16,485	21,167	4,082	159,899
Other resources	153	11	-	-	-	-	-	12,376	12,540
	P59,755	P34,566	P19,740	P16,178	P60,748	P22,755	P32,028	P39,461	P285,231
Liabilities and Equity									
Deposit liabilities:	P104,252	P14,156	P18,380	P625	P143	P85,758	P -	P -	P223,314
Demand deposits	19,820	-	8,979	-	-	51,274	-	-	80,073
Savings deposits	8,646	-	8,360	-	-	34,437	-	-	51,443
Time deposits	75,786	14,156	1,041	625	143	47	-	-	91,798
Bonds payable	-	-	-	-	7,993	10,007	-	(119)	17,881
Other liabilities	-	-	-	-	-	-	-	9,108	9,108
	104,252	14,156	18,380	625	8,136	95,765	-	8,989	250,303
Capital funds	-	-	-	-	-	-	-	34,928	34,928
	P104,252	P14,156	P18,380	P625	P8,136	P95,765	P -	P43,917	P285,231
On-book gap	(P44,497)	P20,410	P1,360	P15,553	P52,612	(P73,010)	P32,028	(P4,456)	P -
Contingent resources	P -	P -	P -	P -	P -	P -	P -	P1,260	P1,260
Contingent liabilities	-	-	-	-	-	-	-	101,619	101,619
Off-book gap	P -	P -	P -	P -	P -	P -	P -	(P100,359)	(P100,359)
Cumulative total gap	(P44,497)	P20,410	P1,360	P15,553	P52,612	(P73,010)	P32,028	(P104,815)	(P100,359)

	December 31, 2024								
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	Total
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P4,244	P4,244
Due from BSP	34,589	-	-	-	-	-	-	13,324	47,913
Due from other banks	-	-	-	-	-	-	-	7,268	7,268
Interbank loans receivable	-	139	-	-	-	-	-	-	139
Financial assets at FVPL	-	-	-	-	-	-	-	2,876	2,876
Financial assets at FVOCI	288	373	1,703	3,265	13,992	-	-	(547)	19,074
Investment securities at AC	500	324	683	5,750	15,112	6,053	8,589	(338)	36,673
Loans - net	41,408	26,992	14,791	14,712	11,460	17,078	5,020	2,302	133,763
Other resources	216	16	-	-	-	-	-	11,732	11,964
	P77,001	P27,844	P17,177	P23,727	P40,564	P23,131	P13,609	P40,861	P263,914
Liabilities and Equity									
Deposit liabilities:	P96,039	P12,188	P17,208	P5,776	P207	P80,590	P -	P -	P212,008
Demand deposits	11,618	-	7,323	-	-	45,021	-	-	63,962
Savings deposits	1,248	-	8,451	-	-	35,514	-	-	45,213
Time deposits	83,173	12,188	1,434	747	207	55	-	-	97,804
Long-term negotiable certificates	-	-	-	5,029	-	-	-	-	5,029
Bonds payable	-	-	-	6,534	-	-	-	-	6,534
Other liabilities	-	-	-	-	-	-	-	13,746	13,746
	96,039	12,188	17,208	12,310	207	80,590	-	13,746	232,288
Capital funds	-	-	-	-	-	-	-	31,626	31,626
	P96,039	P12,188	P17,208	P12,310	P207	P80,590	P -	P45,372	P263,914
On-book gap	(P19,038)	P15,656	(P31)	P11,417	P40,357	(P57,459)	P13,609	(P4,511)	P -
Contingent resources	P -	P -	P -	P -	P -	P -	P -	P3,438	P3,438
Contingent liabilities	-	-	-	-	-	-	-	108,744	108,744
Off-book gap	P -	P -	P -	P -	P -	P -	P -	(P105,306)	(P105,306)
Cumulative total gap	(P19,038)	P15,656	(P31)	P11,417	P40,357	(P57,459)	P13,609	(P109,817)	(P105,306)

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

	December 31, 2025			
Currency	**Changes in Interest Rates (In Basis Points)**	**Sensitivity of Net Interest Income (In Millions)**	**Sensitivity of Trading Gains - net on FA at FVPL (In Millions)**	**Sensitivity of OCI (In Millions)**
PHP	**200**	**P336.60**	**(P530.01)**	**(P3,288.82)**
USD	**100**	**(0.86)**	**(29.74)**	**(76.82)**
PHP	**-200**	**(336.60)**	**530.01**	**3,288.82**
USD	**-100**	**0.86**	**29.74**	**76.82**

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

The sensitivity of the results of operations is measured as the effect of the assumed changes in interest rates on the net interest income for one year based on the floating rate of financial assets and liabilities held as at December 31, 2025 and 2024.

The sensitivity of "Trading and investment securities gains (losses) - net" and OCI is calculated by revaluing fixed-rate financial assets at FVPL and debt securities at FVOCI, respectively, as at December 31, 2025 and 2024. The total sensitivity of OCI is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

Market Risk

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

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

Market Price Risk in the Trading Book

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

Value-at-Risk Methodology

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

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

The table below summarizes the results of the Bank's VAR calculations as at December 31, 2025 and 2024.

	FX Exposures	HFT Securities	FVOCI Securities	Aggregate VAR
2025				
As at December 31, 2025	**P10,274,720**	**P22,819,037**	**P142,396,521**	**P175,490,277**
Average	**3,898,947**	**28,354,304**	**126,329,205**	**158,582,456**
Highest	**10,290,643**	**64,371,571**	**173,024,969**	**206,653,843**
Lowest	**202,301**	**15,889,200**	**86,267,536**	**106,692,237**
2024				
As at December 31, 2024	P1,055,981	P19,972,845	P96,351,049	P117,379,875
Average	1,802,516	16,829,705	84,843,456	103,396,074
Highest	9,892,421	37,504,367	138,826,273	169,508,195
Lowest	235,676	564,953	38,889,755	39,831,044

Currency Risk

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

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

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

The table below summarizes the Bank's exposure to foreign exchange risk as at December 31, 2025 and 2024. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency (based on USD equivalents in thousands):

	December 31, 2025			
	USD	**Euro**	**Others**	**Total**
Assets				
Cash	**$53**	**$318**	**$1,148**	**$1,519**
Due from other banks	**3,372**	**234**	**408**	**4,014**
Financial assets at FVPL	**-**	**5,769**	**-**	**5,769**
Loans and receivables	**1,551**	**76**	**-**	**1,627**
Other assets	**20,985**	**-**	**-**	**20,985**
Total Assets	**25,961**	**6,397**	**1,556**	**33,914**
Liabilities				
Deposit liabilities	**-**	**597**	**8**	**605**
Other liabilities	**689**	**56**	**8**	**753**
Total Liabilities	**689**	**653**	**16**	**1,358**
Net Exposure	**$25,272**	**$5,744**	**$1,540**	**$32,556**
Amount in thousands PHP	**P1,485,741**	**P337,690**	**P90,537**	**P1,913,967**

	December 31, 2024			
	USD	Euro	Others	Total
Assets				
Cash	$ -	$33	$1,838	$1,871
Due from other banks	179	407	284	870
Interbank loans	4,699	-	-	4,699
Loans and receivables	1,582	-	-	1,582
Total Assets	6,460	440	2,122	9,022
Liabilities				
Deposit liabilities	-	817	8	825
Other liabilities	1,468	78	16	1,562
Total Liabilities	1,468	895	24	2,387
Net Exposure	$4,992	($455)	$2,098	$6,635
Amount in thousands PHP	P288,762	(P26,319)	P121,359	P383,802

The table below indicates the currencies which the Bank has significant exposure to as at December 31, 2025 and 2024 based on its foreign currency-denominated assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of other currency rates against the PHP, with all other variables held constant on the results of operations (due to the fair value of currency sensitive monetary assets and liabilities) and OCI. A negative amount in the table reflects a potential net reduction of net income or OCI while positive amount reflects a net potential increase. Changes in currency rates are based on the historical movements of each currency for the same period:

	Philippine Peso Appreciates by	**Effect on Profit before Tax (In Millions)**	**Philippine Peso Depreciates by**	**Effect on Profit before Tax (In Millions)**
December 31, 2025				
Currency:				
USD	**P1.00**	**(P25.27)**	**(P1.00)**	**P25.27**
Euro	**0.50**	**(2.87)**	**(0.50)**	**2.87**
Others	**0.40**	**(0.62)**	**(0.40)**	**0.62**

	Philippine Peso Appreciates by	Effect on Profit before Tax (In Millions)	Philippine Peso Depreciates by	Effect on Profit before Tax (In Millions)
December 31, 2024				
Currency:				
USD	P1.00	(P4.99)	(P1.00)	P4.99
Euro	0.50	0.23	(0.50)	(0.23)
Others	0.40	(0.84)	(0.40)	0.84

Given the nature and amount of the Bank's equity investments portfolio in 2025 and 2024, management believes the Bank's exposure to currency risk is considered minimal.

Equity Price Risk
Given the nature and amount of the Bank's equity investments portfolio in 2025 and 2024, management believes the Bank's exposure to equity price risk is considered minimal.

6. Categories and Fair Value Measurement

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

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

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

Equity Securities (Financial Assets at FVOCI) – For quoted securities, fair values are determined based on market prices quoted in an established exchange, or on published quotes by accredited brokers. The Bank's unquoted equity securities are classified as Level 3 in the fair value hierarchy. Their fair values are determined using the adjusted net asset value (ANAV) method, which is considered appropriate as the investees' net assets largely represent their fair value.

The ANAV technique uses the most recent financial statements of the investees and adjusts the recorded net assets to reflect the fair values of significant underlying assets and liabilities. Key unobservable inputs include valuation adjustments to reflect the fair value of financial assets and liabilities measured at amortized cost, as well as remeasurement of property and other non-financial assets to reflect their estimated fair values at the measurement date.

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

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

Investment Properties - Fair value is determined based on valuations performed by external and in-house appraisers using the market data approach. Valuations are derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining the fair values include the following:

Location	Location of comparative properties whether on a main road or secondary road. Road width could also be a consideration if data is available. As a rule, properties along a main road are superior to properties along a secondary road.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable confirms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time, in which case, the current date is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

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

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

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

The following table provides the fair value hierarchy of the Bank's assets and liabilities measured at fair value and those for which fair values should be disclosed (amounts in thousands):

	December 31, 2025				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL:					
Government securities held for trading	**P5,132,998**	**P4,560,287**	**P572,711**	**P -**	**P5,132,998**
Derivative assets	**36,710**	**-**	**36,710**	**-**	**36,710**
Financial assets at FVOCI:					
Government securities	**34,793,434**	**15,314,787**	**19,478,647**	**-**	**34,793,434**
Equity securities	**224,877**	**500**	**-**	**224,377**	**224,877**
	P40,188,019	**P19,875,574**	**P20,088,068**	**P224,377**	**P40,188,019**
Liabilities Measured at Fair Value					
Financial Liabilities					
Derivative liabilities	**P2,085**	**P -**	**P2,085**	**P -**	**P2,085**
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost:					
Government securities	**P39,475,179**	**P23,056,328**	**P16,337,158**	**P -**	**P39,393,486**
Private debt securities	**1,895,896**	**-**	**1,806,596**	**-**	**1,806,596**
Loans and receivables:					
Receivables from customers	**159,964,965**	**-**	**-**	**161,509,318**	**161,509,318**
Less unearned interest	**83,143**	**-**	**-**	**83,143**	**83,143**
	159,881,822	**-**	**-**	**161,426,175**	**161,426,175**
Sales contract receivables	**225,420**	**-**	**-**	**235,932**	**235,932**
	201,478,317	**23,056,328**	**18,143,754**	**161,662,107**	**202,862,189**
Non-financial Assets					
Investment properties	**4,115,809**	**-**	**-**	**11,087,389**	**11,087,389**
	P205,594,126	**P23,056,328**	**P18,143,754**	**P172,749,496**	**P213,949,578**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	**P24,826,278**	**P -**	**P24,817,534**	**P -**	**P24,817,534**
Bonds payable	**17,881,001**	**-**	**18,077,148**	**-**	**18,077,148**
	P42,707,279	**P -**	**P42,894,682**	**P -**	**P42,894,682**

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

In 2025 and 2024, due to changes in market conditions for certain government securities measured at FVPL and FVOCI, quoted prices in active markets were not available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities at FVPL and FVOCI, with carrying amounts of P225.7 million and P3.3 billion, respectively, in 2025 and P0.5 million and P4.8 billion, respectively, in 2024 were transferred from Level 1 to Level 2 of the fair value hierarchy.

In 2025, securities at FVPL and FVOCI, with carrying amount of P0.5 million and P4.3 billion, respectively, were transferred from Level 2 to Level 1 of the fair value hierarchy since quoted prices in active markets were already available. In 2024, securities at FVPL and FVOCI, with carrying amount of P141.6 million and P56.6 million, respectively, were transferred from Level 2 to Level 1 of the fair value hierarchy since quoted prices in active markets were already available.

In 2025 and 2024, there have been no transfers into and out of Level 3 of the fair value hierarchy.

An instrument in its entirety is classified as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived. For unquoted equity securities, fair values are estimated using valuation techniques such as the adjusted net asset value method.

The carrying values of the financial assets and liabilities not included in the fair value hierarchy table shown above approximate their respective fair values as at December 31, 2025 and 2024.

7. Segment Reporting

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

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

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

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

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

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

Segment assets and liabilities comprise operating assets and liabilities, including borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment. Transactions between the business segments are carried out at arm's length. The Bank uses an Internal Funds Transfer Pricing rate to allocate the cost of funds or to recognize internal revenue for deposit takers. Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross income and expense. The Bank has no significant customers which contributes 10.0% or more of the Bank's revenue net of interest expense. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The segment information of the Bank for the years ended December 31, 2025, 2024 and 2023 for statements of income items, and as at December 31, 2025 and December 31, 2024 for statements of financial position items follow (amounts in millions):

	December 31, 2025					
	Treasury Management Group	**Corporate Banking Group**	**Branch Banking Group**	**Consumer Group**	**Others**	**Total**
Statement of Income						
Net interest income:						
Third party	**P2,787**	**P9,170**	**(P2,840)**	**P1,355**	**P306**	**P10,778**
Intersegment	**(2,447)**	**(7,497)**	**9,172**	**(1,061)**	**1,833**	**-**
Net interest income	**340**	**1,673**	**6,332**	**294**	**2,139**	**10,778**
Non-interest income	**348**	**52**	**67**	**96**	**1,267**	**1,830**
Total revenues	**688**	**1,725**	**6,399**	**390**	**3,406**	**12,608**
Compensation and fringe benefits	**29**	**38**	**588**	**86**	**2,296**	**3,037**
General and administrative expenses	**87**	**20**	**1,268**	**48**	**1,835**	**3,258**
Taxes and licenses	**295**	**423**	**445**	**79**	**(119)**	**1,123**
Total expenses	**411**	**481**	**2,301**	**213**	**4,012**	**7,418**
Income (losses) before provision for credit losses and income tax expense	**P277**	**P1,244**	**P4,098**	**P177**	**(P606)**	**P5,190**
Provision for credit and impairment losses						**P382**
Share in net loss of an associate						**1**
Income tax expense						**1,267**
Net income						**P3,540**
Other Segment Information						
Capital expenditures	**P9**	**P2**	**P69**	**P5**	**P145**	**P230**
Depreciation and amortization	**P5**	**P5**	**P108**	**P8**	**P691**	**P817**
Statement of Financial Position						
Total assets	**P95,200**	**P142,711**	**P18,286**	**P19,251**	**P11,406**	**P286,854**
Total liabilities	**29,466**	**203**	**215,464**	**61**	**5,081**	**250,275**

	December 31, 2024					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P2,976	P8,060	(P3,209)	P1,100	P184	P9,111
Intersegment	(1,469)	(6,661)	8,449	(824)	505	-
Net interest income	1,507	1,399	5,240	276	689	9,111
Non-interest income	124	42	83	54	1,342	1,645
Total revenues	1,631	1,441	5,323	330	2,031	10,756
Compensation and fringe benefits	24	35	572	73	1,934	2,638
General and administrative expenses	74	19	1,217	46	1,584	2,940
Taxes and licenses	206	348	455	63	23	1,095
Total expenses	304	402	2,244	182	3,541	6,673
Income (losses) before provision for credit losses and income tax expense	P1,327	P1,039	P3,079	P148	(P1,510)	P4,083
Provision for credit and impairment losses						P139
Share in net loss of an associate						1
Income tax expense						918
Net income						P3,025
Other Segment Information						
Capital expenditures	P3	P6	P67	P8	P292	P376
Depreciation and amortization	P4	P4	P86	P8	P617	P719

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

	December 31, 2023					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P2,908	P7,049	(P2,707)	P958	P88	P8,296
Intersegment	(2,269)	(5,723)	7,021	(662)	1,633	-
Net interest income	639	1,326	4,314	296	1,721	8,296
Non-interest income	140	73	96	52	1,318	1,679
Total revenues	779	1,399	4,410	348	3,039	9,975
Compensation and fringe benefits	23	33	668	77	1,468	2,269
General and administrative expenses	137	17	1,078	47	1,548	2,827
Taxes and licenses	197	314	425	60	67	1,063
Total expenses	357	364	2,171	184	3,083	6,159
Income (losses) before provision for credit losses and income tax expense	P422	P1,035	P2,239	P164	(P44)	P3,816
Provision for credit and impairment losses						P79
Share in net loss of an associate						1
Income tax expense						934
Net income						P2,802
Other Segment Information						
Capital expenditures	P6	P8	P156	P3	P226	P399
Depreciation and amortization	P4	P4	P59	P7	P492	P566

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

Other expenses consist of compensation and fringe benefits, taxes and licenses, rent and utilities, depreciation and amortization, insurance, service fees and commissions, subscription fees, entertainment and recreation, management and professional fees, amortization of software costs and miscellaneous expense.

8. Interbank Loans Receivable and Securities Purchased under Resale Agreements

This account consists of:

	Note	**2025**	2024
SPURA		**P5,500,000,000**	P -
Interbank loans receivable		**2,148,540,553**	3,587,849,088
		7,648,540,553	3,587,849,088
Less allowance for credit losses	*17*	**1,032,553**	484,360
		P7,647,508,000	P3,587,364,728

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

Interbank loans receivable consists of overnight lending placements and short-term loans with original maturities of three months or less from the date of placement granted to other banks.

Interest income on SPURA and interbank loans receivable follows:

	2025	2024	2023
SPURA	**P441,173,712**	P430,247,101	P746,318,560
Interbank loans receivable	**111,885,871**	111,800,877	129,387,516
	P553,059,583	P542,047,978	P875,706,076

SPURA bears interest rates ranging from 4.5% to 6.0% in 2025, from 5.9% to 6.7% in 2024, and from 5.5% to 6.4% in 2023.

Peso-denominated interbank loans receivable bear interest rates ranging from 4.8% to 6.0% in 2025, from 5.8% to 6.6% in 2024, and from 5.5% to 6.5% in 2023. Dollar-denominated interbank loans receivable bear interest rates ranging from 1.8% to 4.7%, from 4.2% to 5.8%, and from 3.0% to 5.6% in 2025, 2024 and 2023, respectively.

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

Financial assets at FVPL consist of:

	2025	2024
Government securities	**P5,132,997,906**	P2,782,360,563
Derivative assets	**36,710,038**	63,717,369
Private debt securities	**-**	29,555,862
	P5,169,707,944	P2,875,633,794

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

As at December 31, 2025, 2024, and 2023, financial assets at FVPL are adjusted for unrealized gain of P65.0 million, unrealized loss of (P1.0 million) and unrealized gain of P22.8 million, respectively (see Note 28).

Derivative Financial Instruments

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

Forward swaps refer to spot purchase or sale of one currency against another with an offsetting agreement to sell or purchase the same currency at an agreed forward rate in the future. As at December 31, 2025, these pertain to 4 contracts with notional amount of $5.0 million each, one contract with notional amount of $10.0 million and two contracts with notional amount of €2.5 million each. As at December 31, 2024, these pertain to 13 contracts with notional amount of $5.0 million each and three contracts with notional amount of $10.0 million each.

The table in the succeeding page shows the fair values of derivative financial instruments entered into by the Bank, recorded as derivative assets or derivative liabilities, together with the notional amount. The notional amount is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. The notional amount indicates the volume of transactions outstanding as at December 31, 2025 and 2024 and is not indicative of either market risk or credit risk.

	December 31, 2025		December 31, 2024	
	Derivative Assets	**Notional Amount**	Derivative Assets	Notional Amount
Freestanding derivatives:				
Warrants	**P29,395,000**	**$50,000**	P28,922,500	$50,000
Forwards	**7,315,038**	**20,000,000**	34,794,869	50,000,000
	P36,710,038	**$20,050,000**	P63,717,369	$50,050,000

	December 31, 2025		December 31, 2024	
	Derivative Liabilities	**Notional Amount**	Derivative Liabilities	Notional Amount
Freestanding derivatives:				
Forwards	**P1,971,325**	**$10,000,000**	P45,214,075	$45,000,000
Forwards	**114,141**	**€5,000,000**	-	-
	P2,085,466		P45,214,075	$45,000,000

10. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	2025	2024
Government securities	**P34,793,433,601**	P19,036,826,434
Equity securities	**224,876,725**	41,807,401
	P35,018,310,326	P19,078,633,835

As at December 31, 2025 and 2024, the ECL allowance on debt securities at FVOCI included under "Net unrealized losses on financial assets at FVOCI" amounted to P3.2 million and P1.9 million, respectively (see Note 17).

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

Equity securities include the Bank's 3.07% equity interest in Banco National de Guinea Equatorial (BANGE) as part of its partnership with the National Government of the Republic of Equatorial Guinea. The carrying amount of the equity securities amounted to P106.1 million and P19.1 million as at December 31, 2025 and 2024, respectively. Dividend income received from BANGE in 2025, 2024, and 2023 amounted to P2.7 million, P2.5 million and P4.0 million, respectively, booked under "Miscellaneous Income" in the statements of income (see Note 31).

In 2025, 2024, and 2023, the Bank disposed of equity shares with carrying value of P3.7 million, P98.7 million, and P0.9 million, respectively, and transferred to "Retained earnings" account the realized gain of P15.3 million, P82.3 million, and P7.5 million in 2025, 2024, and 2023, respectively, in order to achieve the Bank's strategy to derecognize from the books equity shares that were no longer in use.

Dividend income from equity securities at FVOCI amounted to P2.7 million, P3.9 million, and P5.6 million in 2025, 2024, and 2023, respectively, booked under "Miscellaneous Income" in Statements of Income (see Note 31).

Net Unrealized Gains (Losses) on Financial Assets at FVOCI

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

	Note	**2025**	2024	2023
Balance at beginning of year		**(P534,761,685)**	(P421,192,531)	(P730,966,925)
Net unrealized gains (losses) recognized as OCI		**801,574,327**	(29,535,641)	324,174,117
Effect of tax	*32*	**(136,437,696)**	(946,234)	(363,597)
Realized gains taken to profit or loss	*28*	**(16,457,282)**	(1,623,076)	(6,964,361)
ECL on debt securities at FVOCI	*17*	**1,254,079**	838,797	455,690
Net change in unrealized gains (losses) recorded in OCI		**649,933,428**	(31,266,154)	317,301,849
Realized gains taken to retained earnings		**(15,282,401)**	(82,303,000)	(7,527,455)
Balance at end of year		**P99,889,342**	(P534,761,685)	(P421,192,531)

11. Investment Securities at Amortized Cost

This account consists of:

	Note	**2025**	2024
Government securities		**P39,479,667,743**	P34,465,484,615
Private debt securities	*33*	**1,896,105,862**	2,150,432,619
		41,375,773,605	36,615,917,234
Less allowance for credit losses	*17*	**4,698,688**	4,248,853
		P41,371,074,917	P36,611,668,381

No investment securities at amortized cost were sold in 2025, 2024 and 2023.

12. Loans and Receivables

This account consists of:

	Note	**2025**	2024
Receivables from customers:			
Term loans		**P124,556,652,487**	P102,819,507,055
Agri-agra loans		**13,596,027,710**	13,757,055,407
Housing loans		**12,283,490,731**	9,564,719,568
Auto loans		**6,335,496,146**	5,079,022,446
Bills purchased, import bills and trust receipts	*22*	**1,543,834,876**	1,227,464,415
Direct advances		**364,480,041**	364,009,899
Others		**3,127,426,049**	2,668,785,562
		161,807,408,040	135,480,564,352
Less unearned interest income		**83,143,147**	67,358,184
		161,724,264,893	135,413,206,168
Accrued interest receivable:			
Loans and receivables		**1,222,141,660**	1,065,846,459
Trading and investment securities		**955,491,708**	665,093,026
Interbank loans receivable and SPURA		**2,224,577**	2,181,497
Due from BSP and other banks		**1,813,333**	20,766,667
Accounts receivable		**1,452,597,335**	1,573,836,315
Unquoted debt securities		**291,578,219**	291,578,217
Sales contract receivables		**281,310,365**	334,864,748
RCOCI		**3,337,849**	5,152,412
		165,934,759,939	139,372,525,509
Less allowance for credit losses	*17*	**3,115,455,239**	2,867,185,128
		P162,819,304,700	P136,505,340,381

Bills purchased, import bills and trust receipts include bills purchased with contra account in “Bills purchased - contra” under “Other Liabilities” in the statements of financial position amounting to P1.5 billion and P0.8 billion as at December 31, 2025 and 2024, respectively (see Notes 22 and 33). Bills purchased - contra represents liabilities arising from the outright purchases of checks due for clearing as a means of immediate financing offered by the Bank to its clients.

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

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

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

In 2020, the Bank granted reliefs under the Bayanihan Acts during the COVID-19 period, resulting in non-substantial modifications of contractual cash flows. The Bank recognized related accretion in interest income on these modified loans amounting to P1.6 million, P2.4 million, and P3.4 million in 2025, 2024, and 2023, respectively.

Interest Income on Loans and Receivables
This account consists of:

	2025	2024	2023
Receivables from customers:			
Term loans	**P8,135,209,931**	P6,855,178,084	P6,145,776,140
Agri-agra loans	**953,314,815**	1,117,870,332	817,533,328
Housing loans	**788,335,878**	640,753,034	566,980,066
Auto loans	**469,255,291**	361,304,335	297,279,192
Bills purchased, import bills and trust receipts	**15,939,870**	6,355,704	1,704,583
Direct advances	**12,824,904**	14,761,046	18,960,417
Others	**437,427,849**	407,824,691	371,451,465
	10,812,308,538	9,404,047,226	8,219,685,191
Sales contract receivable	**21,403,439**	24,489,114	24,987,312
	P10,833,711,977	P9,428,536,340	P8,244,672,503

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

As at December 31, 2025, 2024, and 2023, 37.6%, 63.5%, and 60.3%, respectively, of the total receivables from customers were subject to periodic interest repricing.

Peso-denominated loans earn annual fixed interest rates ranging from 2.8% to 26.3% in 2025, from 2.8% to 28.8% in 2024, and from 2.5% to 28.8% in 2023. Dollar-denominated loans earn annual fixed interest rates ranging from 3.5% to 8.8% in 2025 and 2024, and 3.5% to 9.8% in 2023.

Sales contract receivables bear fixed interest rates ranging from 5.3% to 11.6% in 2025, 2024, and 2023.

13. Investment in an Associate

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

	Note	**2025**	2024	2023
Acquisition cost (24.26%-owned)		**P75,395,200**	P75,395,200	P75,395,200
Accumulated equity in net loss and OCI:				
Balance at beginning of year		**(35,036,909)**	(33,935,650)	(29,946,787)
Share in net loss		**(841,298)**	(610,815)	(782,580)
Share in other comprehensive loss		**(169,941)**	(490,444)	(3,206,283)
Balance at end of year		**(36,048,148)**	(35,036,909)	(33,935,650)
Allowance for impairment loss	*17*	**(5,925,786)**	(5,925,786)	(5,925,786)
	33	**P33,421,266**	P34,432,505	P35,533,764

The following table shows the summarized financial information of BIC:

	2025**	2024*	2023*
Assets	**P144,743,742**	P147,818,995	P151,989,247
Liabilities	**8,422,060**	8,096,648	7,930,965
Net assets	**136,321,682**	139,722,347	144,058,282
Revenues	**1,665,625**	1,358,955	1,128,538
Net loss for the year	**(3,467,839)**	(3,628,227)	(3,660,176)
Other comprehensive income (loss)	**67,175**	(707,709)	(2,128,441)
Total comprehensive loss	**(3,400,664)**	(4,335,936)	(5,788,617)

** Based on 2023 and 2024 audited financial statements*
*** Based on 2025 unaudited financial information*

As at December 31, 2025 and 2024, the Bank's subscribed capital stock in BIC amounted to P75.8 million out of BIC's outstanding capital stock of P312.5 million.

14. Property, Equipment and Right-of-Use Assets

The movements in property and equipment and right-of-use assets follow:

		December 31, 2025					
	Note	**Land**	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Right-of-Use Assets** (Note 30)	**Total**
Cost							
Balance at January 1		**P41,569,630**	**P916,058,743**	**P1,900,252,411**	**P967,274,612**	**P1,189,058,500**	**P5,014,213,896**
Additions		**-**	**19,835,052**	**256,837,320**	**43,855,007**	**259,651,210**	**580,178,589**
Disposals		**-**	**-**	**(257,920,231)**	**-**	**(215,684,283)**	**(473,604,514)**
Balance at December 31		**41,569,630**	**935,893,795**	**1,899,169,500**	**1,011,129,619**	**1,233,025,427**	**5,120,787,971**
Less Accumulated Depreciation and Amortization							
Balance at January 1		**-**	**337,136,916**	**1,217,609,920**	**877,836,382**	**576,268,178**	**3,008,851,396**
Depreciation and amortization		**-**	**26,311,166**	**207,580,624**	**42,618,012**	**236,453,434**	**512,963,236**
Disposals		**-**	**-**	**(207,863,103)**	**-**	**(215,149,248)**	**(423,012,351)**
Balance at December 31		**-**	**363,448,082**	**1,217,327,441**	**920,454,394**	**597,572,364**	**3,098,802,281**
Allowance for impairment losses	*17*	**5,022,885**	**239,593**	**-**	**-**	**-**	**5,262,478**
Net Book Value at December 31		**P36,546,745**	**P572,206,120**	**P681,842,059**	**P90,675,225**	**P635,453,063**	**P2,016,723,212**

		December 31, 2024					
	Note	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	Total
Cost							
Balance at January 1		P41,569,630	P901,766,207	P1,918,604,702	P911,431,842	P1,136,772,123	P4,910,144,504
Additions		-	14,292,536	376,145,793	55,842,770	282,902,827	729,183,926
Reclassification	*16*	-	-	739,187	-	-	739,187
Disposals		-	-	(395,237,271)	-	(230,616,450)	(625,853,721)
Balance at December 31		41,569,630	916,058,743	1,900,252,411	967,274,612	1,189,058,500	5,014,213,896
Less Accumulated Depreciation and Amortization							
Balance at January 1		-	311,880,204	1,367,954,198	843,074,600	590,777,074	3,113,686,076
Depreciation and amortization		-	25,256,712	201,598,668	34,761,782	214,740,831	476,357,993
Disposals		-	-	(351,942,946)	-	(229,249,727)	(581,192,673)
Balance at December 31		-	337,136,916	1,217,609,920	877,836,382	576,268,178	3,008,851,396
Allowance for impairment losses	*17*	5,022,885	239,593	-	-	-	5,262,478
Net Book Value at December 31		P36,546,745	P578,682,234	P682,642,491	P89,438,230	P612,790,322	P2,000,100,022

	Note	December 31, 2023					
		Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	Total
Cost							
Balance at January 1		P41,569,630	P875,749,388	P1,628,976,165	P869,866,640	P1,035,535,118	P4,451,696,941
Additions		-	26,016,819	398,797,324	41,565,202	313,175,775	779,555,120
Disposals		-	-	(109,168,787)	-	(211,938,770)	(321,107,557)
Balance at December 31		41,569,630	901,766,207	1,918,604,702	911,431,842	1,136,772,123	4,910,144,504
Less Accumulated Depreciation and Amortization							
Balance at January 1		-	288,710,154	1,308,085,343	821,224,328	602,102,604	3,020,122,429
Depreciation and amortization		-	23,170,050	120,668,429	21,850,272	200,613,240	366,301,991
Disposals		-	-	(60,799,574)	-	(211,938,770)	(272,738,344)
Balance at December 31		-	311,880,204	1,367,954,198	843,074,600	590,777,074	3,113,686,076
Allowance for impairment losses	*17*	5,022,885	239,593	-	-	-	5,262,478
Net Book Value at December 31		P36,546,745	P589,646,410	P550,650,504	P68,357,242	P545,995,049	P1,791,195,950

In 2025, 2024 and 2023, the net gains on sale of property and equipment included under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the statements of income amounted to P0.8 million, P0.6 million and P0.9 million, respectively.

As at December 31, 2025 and 2024, the cost of fully depreciated property and equipment still in use amounted to P1.6 billion and P1.7 billion, respectively.

15. Investment Properties

The movements in investment properties follow:

	Note	**December 31, 2025**		
		Land	**Buildings**	**Total**
Balance at January 1		**P3,317,361,448**	**P1,839,539,046**	**P5,156,900,494**
Additions		**197,932,502**	**327,186,355**	**525,118,857**
Disposals		**(149,702,267)**	**(295,446,330)**	**(445,148,597)**
Balance at December 31		**3,365,591,683**	**1,871,279,071**	**5,236,870,754**
Less Accumulated Depreciation				
Balance at January 1		**-**	**972,800,408**	**972,800,408**
Depreciation		**-**	**122,978,687**	**122,978,687**
Disposal		**-**	**(168,852,085)**	**(168,852,085)**
Balance at December 31		**-**	**926,927,010**	**926,927,010**
Less Allowance for Impairment Losses	*17*	**187,279,626**	**6,854,810**	**194,134,436**
		P3,178,312,057	**P937,497,251**	**P4,115,809,308**

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

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

As at December 31, 2025 and 2024, the aggregate market value of investment properties amounted to P11.1 billion and P10.7 billion, respectively. Information about the fair value measurement of investment properties is presented in Note 6.

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

	2025	2024	2023
Gain on assets sold	**P285,174,378**	P149,917,862	P196,428,853
Gain on foreclosure	**101,135,338**	173,000,899	284,652,924
	P386,309,716	P322,918,761	P481,081,777

In 2025, rental income on investment properties (included in “Miscellaneous income” account in the statements of income) amounted P0.9 million (see Note 31). No rental income on investment properties was received in 2024 and 2023.

No direct operating expenses on investment properties that generated rental income were incurred in 2025, 2024 and 2023. Direct operating expenses on investment properties such as security and insurance expenses, included under “Rent and utilities” account, litigation expenses, included under “Litigation and acquired assets-related expenses” in “Other expenses - miscellaneous” account, and real estate taxes, included under “Taxes and licenses” account in the statements of income, that did not generate rental income in 2025, 2024, and 2023 amounted to P111.2 million, P104.3 million, and P83.7 million, respectively (see Note 31).

16. Other Assets

This account consists of:

	Note	**2025**	2024
Miscellaneous assets - TRB	*34*	**P4,348,088,462**	P4,348,088,462
Creditable withholding tax		**2,852,106,815**	2,507,941,075
Intangible assets*		**587,466,559**	501,929,014
Retirement assets	*29*	**336,634,990**	427,290,277
Sinking fund	*24*	**312,044,149**	301,145,218
Prepaid expenses		**227,282,167**	236,300,582
Documentary stamps		**153,721,807**	166,665,788
Other properties acquired*		**69,864,118**	66,500,954
Others		**234,173,242**	212,297,920
		9,121,382,309	8,768,159,290
Less allowance for impairment losses	*17*	**4,438,080,118**	4,438,022,445
		P4,683,302,191	P4,330,136,845

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

Miscellaneous Assets - TRB

This account includes non-performing assets (NPAs) amounting to P4.3 billion as at December 31, 2025 and 2024 which were assumed by the Bank in connection with the Purchase and Sale Agreement (PSA) entered into by the Bank with Traders Royal Bank (TRB) in 2002 (see Note 34). Pursuant to the requirements of PFRS Accounting Standards, the allowance for impairment losses on the NPAs amounting to P4.3 billion as at December 31, 2025 and 2024, were charged in full in the period incurred.

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

Intangible Assets

Intangible assets consist of:

	2025	2024
Software costs*	**P527,466,559**	P441,929,014
Branch licenses	**60,000,000**	60,000,000
	P587,466,559	P501,929,014

**net of accumulated amortization*

Movements in software costs follow:

	2025	2024	2023
Cost			
Balance at January 1	**P1,303,017,961**	P1,074,904,202	P1,027,748,294
Additions	**230,358,709**	228,113,759	149,908,692
Write-off	**-**	-	(102,752,784)
Balance at end of year	**1,533,376,670**	1,303,017,961	1,074,904,202
Less Accumulated Amortization			
Balance at January 1	**861,088,947**	765,491,126	701,223,986
Amortization for the year	**144,821,164**	95,597,821	76,741,228
Write-off	**-**	-	(12,474,088)
Balance at end of year	**1,005,910,111**	861,088,947	765,491,126
Net Book Value	**P527,466,559**	P441,929,014	P309,413,076

Other Properties Acquired

Movements in the other properties acquired follow:

	Note	2025	2024	2023
Cost				
Balance at January 1		**P204,855,558**	P283,409,284	P245,108,000
Additions		**80,866,000**	71,813,000	86,927,784
Disposals		**(78,648,558)**	(148,067,726)	(48,626,500)
Reclassification	*14*	**-**	(2,299,000)	-
Balance at end of year		**207,073,000**	204,855,558	283,409,284
Less Accumulated Depreciation				
Balance at January 1		**138,354,604**	209,915,332	201,981,840
Depreciation for the year		**36,637,618**	30,719,655	19,948,439
Disposals		**(37,783,340)**	(100,872,272)	(12,014,947)
Reclassification	*14*	**-**	(1,408,111)	-
Balance at end of year		**137,208,882**	138,354,604	209,915,332
Net Book Value		**P69,864,118**	P66,500,954	P73,493,952

In 2025, 2024 and 2023, gain on foreclosure amounted to P1.5 million, P3.6 million and P4.7 million, respectively. Gain on sale of other properties acquired under “Gains on foreclosure and sale of property and equipment and foreclosed assets - net” amounted to P13.8 million, P14.4 million, and P8.7 million in 2025, 2024 and 2023, respectively.

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

17. Allowance for Credit and Impairment Losses

Movements in ECL allowances in 2025, 2024 and 2023 on financial assets, other than loans and receivables, are summarized as follows (amounts in thousands):

	December 31, 2025					
	Due from BSP	**Due from Other Banks**	**Interbank Loans Receivable and SPURA** (Note 8)	**Financial Assets at FVOCI** (Note 10)	**Investment Securities at Amortized Cost** (Note 11)	**Total**
ECL allowance, January 1, 2025	**P6,469**	**P516**	**P484**	**P1,929**	**P4,249**	**P13,647**
Provision for (reversal of) credit and impairment losses for the year	**(4,031)**	**(234)**	**544**	**1,253**	**428**	**(2,040)**
Foreign exchange differences	**-**	**2**	**5**	**1**	**22**	**30**
ECL allowance, December 31, 2025	**P2,438**	**P284**	**P1,033**	**P3,183**	**P4,699**	**P11,637**

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

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

All accounts above were carried at Stage 1 and there were no transfers into and out of Stage 1 in 2025, 2024 and 2023.

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

As at December 31, 2025 and 2024, ECL on off-balance sheet exposures amounted to P25.1 million and P45.8 million, respectively (see Note 22). In 2025, 2024 and 2023, the Bank recognized provision for (reversal of) ECL on loan commitment and financial guarantees amounting to (P20.8 million), P22.1 million, and (P10.0 million), respectively.

In 2025 and 2024, the Bank recognized a reversal of allowance for credit losses on loans and receivables amounting to P656.6 million and P10.8 million, respectively, which is included under “Provision for credit and impairment losses” account in the statements of income, as a result of the recalibration of its existing ECL framework to incorporate the most recent data and developments in the macroeconomic environment of the Bank (see Notes 3 and 4). The amount of the effect in future periods is not disclosed because estimating the impact is impracticable.

The tables below and in the succeeding pages summarize the movements in ECL allowances on loans and receivables in 2025, 2024 and 2023 (amounts in thousands).

	December 31, 2025										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2025	P288,888	P3,579	P7,850	P3,825	P106	P43,368	P59,441	P407,057	P2,389	P11,654	P421,100
Provision for credit and impairment losses	(1,049)	13,171	40,356	8,929	9,946	220,892	11,521	303,766	(395)	7,249	310,620
Transfer from Stage 1	(151,236)	(12,861)	(42,832)	(10,877)	(9,970)	(251,371)	(3,505)	(482,652)	(267)	(10,415)	(493,334)
Transfer from Stage 2	-	69	50	-	-	-	11	130	4	2	136
Transfer from Stage 3	-	17	-	-	-	-	3	20	5	-	25
Foreign exchange differences	134	-	-	-	-	-	(77)	28	85	-	(1)	84
	136,737	3,975	5,424	1,877	82	12,812	67,499	228,406	1,736	8,489	238,631
Stage 2											
ECL Loans, January 1, 2025	103,798	7,604	7,420	-	37	4,901	18,306	142,066	55	26,454	168,575
Provision for credit and impairment losses	(59,239)	(2,728)	(3,623)	-	(37)	(8,798)	3,968	(70,457)	(30)	16,288	(54,199)
Transfer from Stage 1	145,558	7,361	13,843	-	30	178,662	404	345,858	98	3,421	349,377
Transfer from Stage 2	-	(3,291)	(3,209)	-	-	-	(883)	(7,383)	(23)	(3,665)	(11,071)
Transfer from Stage 3	-	40	-	-	-	-	11	51	4	2	57
Foreign exchange differences	-	-	-	-	-	3,897	3	3,900	-	37	3,937
	190,117	8,986	14,431	-	30	178,662	21,809	414,035	104	42,537	456,676
Stage 3											
ECL Loans, January 1, 2025	304,767	73,501	243,411	45,927	69,569	138,284	226,825	1,102,284	53,986	1,121,240	2,277,510
Provision for credit and impairment losses	10,664	(40,898)	40,546	(629)	-	(7,026)	106,704	109,361	(115)	36,500	145,746
Transfer from Stage 1	5,678	5,500	28,989	10,877	9,940	72,709	3,101	136,794	169	6,994	143,957
Transfer from Stage 2	-	3,222	3,159	-	-	-	872	7,253	19	3,663	10,935
Transfer from Stage 3	-	(57)	-	-	-	-	(14)	(71)	(9)	(2)	(82)
Movement due to foreclosure/settlement	-	(747)	(33,018)	-	-	-	-	(33,765)	-	(3,528)	(37,293)
Write-off	(628)	(55)	(2,027)	(46,037)	-	-	(74,878)	(123,625)	-	(502)	(124,127)
Foreign exchange differences	981	-	-	740	-	-	50	1,771	-	1,731	3,502
	321,462	40,466	281,060	10,878	79,509	203,967	262,660	1,200,002	54,050	1,166,096	2,420,148
Total											
ECL Loans, January 1, 2025	697,453	84,684	258,681	49,752	69,712	186,553	304,572	1,651,407	56,430	1,159,348	2,867,185
Provision for credit and impairment losses	(49,624)	(30,455)	77,279	8,300	9,909	205,068	122,193	342,670	(540)	60,037	402,167
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(747)	(33,018)	-	-	-	-	(33,765)	-	(3,528)	(37,293)
Write-off	(628)	(55)	(2,027)	(46,037)	-	-	(74,878)	(123,625)	-	(502)	(124,127)
Foreign exchange differences	1,115	-	-	740	-	3,820	81	5,756	-	1,767	7,523
	P648,316	P53,427	P300,915	P12,755	P79,621	P395,441	P351,968	P1,842,443	P55,890	P1,217,122	P3,115,455

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

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

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

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

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

The table below summarizes the movements in the gross carrying amounts of financial assets, other than loans and receivables, in 2025 and 2024 (amounts in thousands).

	December 31, 2025				
	Due from BSP	**Due from Other Banks**	**Interbank Loans Receivable and SPURA** (Note 8)	**Financial Assets at FVOCI** (Note 10)	**Investment Securities at Amortized Cost** (Note 11)
Gross carrying amount, January 1, 2025	**P47,919,926**	**P3,819,901**	**P3,587,849**	**P19,078,634**	**P36,615,917**
New assets purchased or originated	**1,325,741,056**	**-**	**2,319,386,709**	**18,913,550**	**331,986,345**
Assets derecognized or repaid	**(1,354,541,056)**	**(7,427)**	**(2,313,880,195)**	**(3,579,825)**	**(327,291,807)**
Other movements*	**(1,063,557)**	**(1,707,003)**	**(1,445,822)**	**605,951**	**65,319**
Gross carrying amount, December 31, 2025	**P18,056,369**	**P2,105,471**	**P7,648,541**	**P35,018,310**	**P41,375,774**

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

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

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

The tables below and in the succeeding page summarize the movements in the gross carrying amounts on loans and receivables in 2025 and 2024 (amounts in thousands).

	December 31, 2025										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Gross carrying amount, January 1, 2025	P99,716,247	P9,105,032	P4,668,511	P1,181,537	P292,192	P13,448,614	P2,213,384	P130,625,517	P238,950	P2,446,826	P133,311,293
New assets purchased or originated	71,845,699	4,035,180	2,785,924	1,546,933	229,675	6,523,980	635,855	87,603,246	70,333	1,383,427	89,057,006
Assets derecognized or repaid	(43,765,799)	(255,101)	(328,671)	(1,181,537)	(203,478)	(5,989,936)	(192,268)	(51,916,790)	(13,728)	(1,180,710)	(53,111,228)
Transfer from Stage 1	(2,972,570)	(286,487)	(440,036)	(10,877)	(23,500)	(2,974,299)	(23,855)	(6,731,624)	(26,686)	(232,648)	(6,990,958)
Transfer from Stage 2	-	52,838	10,335	-	-	-	950	64,123	397	761	65,281
Transfer from Stage 3	-	9,832	-	-	-	-	260	10,092	506	151	10,749
Other movements***	(4,640,399)	(898,843)	(1,114,851)	(3,099)	(25,724)	(517,887)	(49,023)	(7,249,826)	(96,162)	232,157	(7,113,831)
	120,183,178	11,762,451	5,581,212	1,532,957	269,165	10,490,472	2,585,303	152,404,738	173,610	2,649,964	155,228,312
Stage 2											
Gross carrying amount, January 1, 2025	2,422,683	175,498	71,241	-	962	170,000	88,332	2,928,716	5,042	48,552	2,982,310
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(1,537,683)	(12,893)	(29,269)	-	(962)	(170,000)	(4,465)	(1,755,272)	(1,550)	(38,387)	(1,795,209)
Transfer from Stage 1	2,947,810	208,918	199,627	-	3,656	2,792,525	15,523	6,168,059	9,837	93,026	6,270,922
Transfer from Stage 2	-	(99,777)	(24,662)	-	-	-	(3,029)	(127,468)	(2,310)	(5,677)	(135,455)
Transfer from Stage 3	-	1,195	-	-	-	-	56	1,251	440	41	1,732
Other movements***	(137,500)	(17,233)	(10,553)	-	-	-	9,002	(156,284)	(1,020)	(1,371)	(158,675)
	3,695,310	255,708	206,384	-	3,656	2,792,525	105,419	7,059,002	10,439	96,184	7,165,625
Stage 3											
Gross carrying amount, January 1, 2025	680,577	284,138	336,290	45,927	69,569	138,284	304,188	1,858,973	90,873	1,129,076	3,078,922
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(4,233)	(126,861)	(41,664)	-	-	(7,027)	(3,961)	(183,746)	(8,752)	(90,547)	(283,045)
Transfer from Stage 1	24,760	77,569	240,409	10,877	19,844	181,774	8,332	563,565	16,849	139,622	720,036
Transfer from Stage 2	-	46,939	14,327	-	-	-	2,079	63,345	1,913	4,916	70,174
Transfer from Stage 3	-	(11,027)	-	-	-	-	(316)	(11,343)	(946)	(192)	(12,481)
Write-off	(628)	(55)	(2,027)	(46,037)	-	-	(74,878)	(123,625)	-	(502)	(124,127)
Other movements***	(22,312)	(5,371)	(1,430)	111	-	-	122,358	93,356	(2,676)	664	91,344
	678,164	265,332	545,905	10,878	89,413	313,031	357,802	2,260,525	97,261	1,183,037	3,540,823
Total											
Gross carrying amount, January 1, 2025	102,819,507	9,564,668	5,076,042	1,227,464	362,723	13,756,898	P2,605,904	135,413,206	334,865	3,624,454	139,372,525
New assets purchased or originated	71,845,699	4,035,180	2,785,924	1,546,933	229,675	6,523,980	635,855	87,603,246	70,333	1,383,427	89,057,006
Assets derecognized or repaid	(45,307,715)	(394,855)	(399,604)	(1,181,537)	(204,440)	(6,166,963)	(200,694)	(53,855,808)	(24,030)	(1,309,644)	(55,189,482)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	(628)	(55)	(2,027)	(46,037)			(74,878)	(123,625)	-	(502)	(124,127)
Other movements***	(4,800,211)	(921,447)	(1,126,834)	(2,988)	(25,724)	(517,887)	82,337	(7,312,754)	(99,858)	231,450	(7,181,162)
	P124,556,652	P12,283,491	P6,333,501	P1,543,835	P362,234	P13,596,028	P3,048,524	P161,724,265	P281,310	P3,929,185	P165,934,760

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*
****Includes movements in outstanding balances and foreign exchange differences*

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

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*
****Includes movements in outstanding balances and foreign exchange differences*

The movements in allowance for impairment losses as at December 31, 2025, 2024 and 2023 for investment in associate and non-financial assets are summarized as follows (amounts in thousands):

	December 31, 2025				
	Investment in an Associate (Note 13)	**Property and Equipment** (Note 14)	**Investment Properties** (Note 15)	**Other Assets** (Note 16)	**Total**
Balance at beginning of year	**P5,926**	**P5,262**	**P191,330**	**P4,438,022**	**P4,640,540**
Provision for impairment losses for the year	**-**	**-**	**2,804**	**58**	**2,862**
Balance at end of year	**P5,926**	**P5,262**	**P194,134**	**P4,438,080**	**P4,643,402**

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

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

18. Deposit Liabilities

Long-term Negotiable Certificates of Time Deposit (LTNCTD)
On March 17, 2020, the Bank issued unsecured LTNCTD with 4.5% fixed interest rate at par value of P5.0 billion. The issuance of the LTNCTD was approved by the BOD on June 25, 2019 and by the BSP on October 31, 2019. The issuance was listed in the Philippine Dealing and Exchange Corporation. The LTNCD matured and was settled on September 17, 2025.

Reserve Requirement
On June 23, 2023, the BSP reduced the reserve requirement to 9.5% effective on the reserve week starting on June 30, 2023, through the issuance of BSP Circular No. 1175. On September 20, 2024, the BSP issued Circular No. 1201 reducing the reserve requirement to 7.0% effective on the reserve week starting October 25, 2024. On March 11, 2025, the BSP issued Circular No. 1211 reducing the reserve requirement to 5.0% effective on the reserve week starting March 28, 2025.

As at December 31, 2025 and 2024, the Bank is in compliance with such reserve requirements. Due from BSP demand deposit account amounting to P10.7 billion and P12.0 billion as at December 31, 2025 and 2024, respectively, is available for meeting these reserve requirements as reported to BSP.

Due from BSP-Overnight Deposit Accounts earned annual interest rates ranging from 4.0% to 5.3% in 2025, from 5.3% to 6.0% in 2024, and from 5.0% to 6.0% in 2023. Due from BSP-Term Deposit Accounts earned annual interest rates ranging from 5.1% to 5.8%, from 6.3% to 6.7%, and from 6.4% to 6.8% in 2025, 2024, and 2023, respectively. Interest income on Due from BSP amounted to P290.2 million, P368.3 million, and P364.2 million in 2025, 2024, and 2023, respectively.

Interest expense on deposit liabilities follows:

	2025	2024	2023
Demand	**P179,625,107**	P88,483,830	P67,813,429
Savings	**2,048,288,457**	2,504,250,516	2,174,301,309
Time	**639,678,671**	646,617,783	502,742,516
LTNCTD	**161,570,118**	226,323,900	226,323,900
	P3,029,162,353	P3,465,676,029	P2,971,181,154

Peso-denominated deposits are subject to annual interest rates ranging from 0.1% to 5.5% in 2025, and 0.1% to 6.5% in 2024 and 2023. Foreign currency-denominated deposits are subject to annual interest rates ranging from 0.1% to 3.5% in 2025, and 0.1% to 5.5% in 2024 and 2023.

Insurance Expense
This account pertains to the PDIC insurance on deposits amounting to P412.9 million, P384.0 million, and P345.1 million in 2025, 2024, and 2023, respectively.

19. Bills Payable

This account consists of SSURA and short-term borrowings from local and foreign banks. As at December 31, 2025 and 2024, there were no outstanding short-term borrowings from local and foreign banks and no financial assets pledged and transferred under SSURA transactions.

Interest expense consists of:

	2025	2024	2023
SSURA	**P2,278,106**	P9,058,806	P24,610,494
Local banks	**532,440**	1,815,681	104,836
Foreign banks	**-**	-	128,142
Other borrowings	**25,048,417**	4,258,384	24,254,796
	P27,858,963	P15,132,871	P49,098,268

SSURA were subject to annual interest rate of 4.6% in 2025 and annual interest rates ranging from 4.9% to 5.1% in 2024 and from 5.3% to 5.7% in 2023.

Peso-denominated short-term borrowings from local banks are subject to annual interest rates ranging from 4.8% to 5.3% and from 6.3% to 6.8% in 2025 and 2024, respectively. There were no peso-denominated short-term borrowings from local banks in 2023. Foreign currency denominated short-term borrowings from local banks are subject to annual interest rates ranging from 3.9% to 4.1% in 2025, annual interest rate of 5.5% in 2024, and from 4.6% to 4.9% in 2023.

Foreign currency denominated short-term borrowings from foreign banks are subject to annual interest rates ranging from 4.8% to 5.1% in 2023. There were no foreign currency denominated short-term borrowings from foreign banks in 2025 and 2024.

In 2025, 2024 and 2023, interest expense on other borrowings includes interest expense on tax settlement amounting to P25.0 million, P4.3 million and P24.2 million, respectively.

20. Bonds Payable

This account consists of the following fixed rate peso bonds:

				Outstanding Balance	
Issue Date	Maturity Date	Interest Rate	Face Value	**2025**	2024
February 19, 2025	February 19, 2027	6.1942%	P10,006,850,000	**P9,952,138,980**	P -
February 19, 2025	May 19, 2030	6.3494%	7,993,150,000	**7,928,861,891**	-
May 16, 2024	November 16, 2025	6.5635%	6,569,750,000	**-**	6,534,447,698
				P17,881,000,871	P6,534,447,698

The P6.6 billion fixed rate bonds issued by the Bank on May 16, 2024 with a coupon rate of 6.5635% payable on a quarterly basis matured and was settled in full on November 16, 2025.

On February 19, 2025, the dual-tranche fixed rate bonds due 2027 (Series C Bonds) and fixed rate bonds due 2030 (Series D Bonds), which were issued as the third tranche of the Bank's increased P50.0 billion Peso Bond Programme, were listed on the Philippine Dealing and Exchange Corporation. Series C Bonds and Series D Bonds, with face value of P10.0 billion and P8.0 billion, respectively, are due on February 19, 2027 and May 19, 2030, respectively. The bonds were priced at par with coupon rate of 6.1942% for Series C Bonds and 6.3494% for Series D Bonds payable on a quarterly basis. Total bond transaction costs amounted to P168.8 million.

Interest expense on bonds payable amounted to P1.4 billion, P532.9 million, and P413.0 million in 2025, 2024 and 2023, respectively. As at December 31, 2025 and 2024, unamortized bond transaction costs amounted to P119.0 million and P35.3 million, respectively.

21. Accrued Interest, Taxes and Other Expenses

This account consists of accruals for the following:

	Note	**2025**	2024
Interest payable:			
Deposit liabilities	*18*	**P191,703,358**	P211,707,577
Bonds payable	*20*	**117,215,471**	44,043,546
		308,918,829	255,751,123
Employee and other benefits		**365,007,998**	226,500,304
Insurance		**217,611,820**	203,116,131
Taxes payable		**90,981,748**	116,688,935
Penalties		**77,686,628**	34,412,283
Fees and commissions		**73,265,275**	72,329,788
Utilities expenses		**46,316,993**	32,595,643
Security		**36,433,582**	27,319,769
Management and professional fees		**31,018,076**	35,201,526
Equipment-related expenses		**17,825,336**	7,281,022
Building repairs and maintenance		**17,374,574**	14,361,406
Rent		**6,758,121**	6,229,896
Others		**60,588,335**	66,405,394
		P1,349,787,315	P1,098,193,220

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

22. Other Liabilities

This account consists of:

	Note	**2025**	2024
Accounts payable		**P2,244,708,806**	P5,147,678,610
Bills purchased - contra	*12, 33*	**1,495,440,250**	825,848,408
Lease liabilities	*30*	**682,935,529**	661,590,944
Other credits-dormant		**420,492,068**	252,366,676
Due to preferred shareholders	*24*	**312,044,149**	301,145,218
Due to Treasurer of the Philippines		**284,244,651**	213,902,800
Withholding tax payable		**183,578,754**	182,032,305
Payment orders payable		**99,537,595**	2,991,807,839
Unclaimed balances		**47,077,966**	130,168,838
ECL on off-balance sheet exposures	*17*	**25,055,733**	45,843,821
Margin deposits		**-**	227,000,000
Miscellaneous		**135,586,661**	130,709,248
		P5,930,702,162	P11,110,094,707

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

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

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

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

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

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

23. Maturity Profile of Assets and Liabilities

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

		2025			2024		
	Note	Within 12 Months	Over 12 Months	Total	Within 12 Months	Over 12 Months	Total
Financial Assets - gross							
COCI		**P3,549,485**	**P -**	**P3,549,485**	P4,244,124	P -	P4,244,124
Due from BSP	*18*	**18,056,369**	**-**	**18,056,369**	47,919,926	-	47,919,926
Due from other banks		**2,105,471**	**-**	**2,105,471**	3,819,901	-	3,819,901
Interbank loans receivable and SPURA	*8*	**7,648,541**	**-**	**7,648,541**	3,587,849	-	3,587,849
Financial assets at FVPL:	*9*						
Government securities held-for-trading		**5,132,998**	**-**	**5,132,998**	2,782,361	-	2,782,361
Derivative assets		**7,315**	**29,395**	**36,710**	34,795	28,922	63,717
Private debt securities		**-**	**-**	**-**	29,556	-	29,556
Financial assets at FVOCI:	*10*						
Government securities		**401,120**	**34,392,314**	**34,793,434**	-	19,036,827	19,036,827
Equity securities		**-**	**224,877**	**224,877**	-	41,807	41,807
Investment securities at amortized cost - gross:	*11*						
Government securities		**13,531,809**	**25,947,859**	**39,479,668**	6,882,006	27,583,479	34,465,485
Private debt securities		**-**	**1,896,106**	**1,896,106**	266,382	1,884,050	2,150,432
Loans and receivables - gross:	*12*						
Receivable from customers:							
Term loans		**35,312,458**	**89,244,194**	**124,556,652**	42,179,364	60,640,143	102,819,507
Agri-agra loans		**3,395,308**	**10,200,720**	**13,596,028**	6,132,221	7,624,835	13,757,056
Housing loans		**552,416**	**11,731,075**	**12,283,491**	481,442	9,083,278	9,564,720
Auto loans		**904,754**	**5,430,742**	**6,335,496**	579,843	4,499,179	5,079,022
Bills purchased, import bills and trust receipts		**1,543,835**	**-**	**1,543,835**	1,227,464	-	1,227,464
Direct advances		**318,792**	**45,688**	**364,480**	272,180	91,830	364,010
Others		**2,376,744**	**750,682**	**3,127,426**	1,975,573	693,212	2,668,785
Accrued interest receivable		**2,181,671**	**-**	**2,181,671**	1,753,888	-	1,753,888
Accounts receivable		**1,452,597**	**-**	**1,452,597**	1,573,836	-	1,573,836
Unquoted debt securities		**291,578**	**-**	**291,578**	291,578	-	291,578
Sales contract receivables		**114,232**	**167,078**	**281,310**	98,954	235,911	334,865
RCOCI		**3,338**	**-**	**3,338**	5,152	-	5,152
		98,880,831	**180,060,730**	**278,941,561**	126,138,395	131,443,473	257,581,868
Non-financial Assets - gross							
Investment in associate	*13*	**-**	**75,395**	**75,395**	-	75,395	75,395
Property and equipment	*14*	**-**	**5,120,788**	**5,120,788**	-	5,014,214	5,014,214
Investment properties	*15*	**-**	**5,236,871**	**5,236,871**	-	5,156,900	5,156,900
Deferred tax assets	*32*	**-**	**269,766**	**269,766**	-	447,021	447,021
Other assets	*16*	**3,257,960**	**7,006,541**	**10,264,501**	2,926,500	6,841,103	9,767,603
		3,257,960	**17,709,361**	**20,967,321**	2,926,500	17,534,633	20,461,133
		P102,138,791	**P197,770,091**	**P299,908,882**	P129,064,895	P148,978,106	P278,043,001
Less:							
Allowance for credit and impairment losses	*17*			**P7,767,311**			P7,519,444
Accumulated depreciation and amortization	*14, 15, 16*			**5,168,848**			4,981,095
Unearned interest	*12*			**83,143**			67,358
Accumulated equity in net loss	*13*			**36,048**			35,037
Total				**P286,853,532**			P265,440,067

		2025			2024		
	Note	Within 12 Months	Over 12 Months	Total	Within 12 Months	Over 12 Months	Total
Financial Liabilities							
Deposit liabilities:	*18*						
Demand		**P80,072,538**	**P -**	**P80,072,538**	P63,961,972	P -	P63,961,972
Savings		**118,408,300**	**7,000**	**118,415,300**	125,100,493	-	125,100,493
Time		**24,627,351**	**198,927**	**24,826,278**	17,637,099	278,974	17,916,073
LTNCTD		**-**	**-**	**-**	5,029,420	-	5,029,420
Financial liabilities at FVPL	*9*	**2,085**	**-**	**2,085**	45,214	-	45,214
Bonds payable	*20*	**-**	**17,881,001**	**17,881,001**	6,534,448	-	6,534,448
Manager's checks		**1,797,803**	**-**	**1,797,803**	1,414,092	-	1,414,092
Accrued interest and other expenses*	*21*	**887,040**	**-**	**887,040**	748,774	-	748,774
Other liabilities**	*22*	**4,950,039**	**772,028**	**5,722,067**	10,119,072	763,147	10,882,219
		230,745,156	**18,858,956**	**249,604,112**	230,590,584	1,042,121	231,632,705
Non-financial Liabilities							
Accrued taxes and other expense payable	*21*	**462,748**	**-**	**462,748**	349,419	-	349,419
Other liabilities	*22*	**208,635**	**-**	**208,635**	227,876	-	227,876
		671,383	**-**	**671,383**	577,295	-	577,295
		P231,416,539	**P18,858,956**	**P250,275,495**	P231,167,879	P1,042,121	P232,210,000

**amounts exclude accruals of employee and other benefits, taxes payable and rent*
***amounts exclude withholding tax payable and ECL of loan commitments and financial guarantees*

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

24. Capital

The Bank's capital stock consists of the following as at December 31, 2025, 2024, and 2023:

	Shares	Amount
Authorized Capital Stock		
Common stock, P10 par value	1,702,511,470	P17,025,114,700
Preferred stock, P10 par value	455,000,000	4,550,000,000
	2,157,511,470	**P21,575,114,700**
Issued and Outstanding		
Common stock	1,403,013,920	P14,030,139,200
Preferred stock	416,666,670	4,166,666,700
	1,819,680,590	**P18,196,805,900**
Paid-In-Surplus		
Common stock		P 5,995,503,421
Preferred stock		1,233,771,939
		P7,229,275,360

There were no movements on the number of shares outstanding at December 31, 2025 and 2024.

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

The Bank has outstanding liability for the unpaid portion of the redemption price of preferred shares amounting to P312.0 million and P301.1 million as at December 31, 2025 and 2024, respectively, which is recorded as "Due to preferred shareholders" account under "Other liabilities" in Note 22 to the financial statements. As at December 31, 2025 and 2024, the related sinking fund which is recorded under "Other assets" account amounting to P312.0 million and P301.1 million, respectively, has been set up to fund the eventual settlement of this liability (see Note 16).

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

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

- the sale of fully paid shares of Valiant Ventures & Development Holdings, Inc. (Valiant) in the Bank to SMPI and SMCRP amounting to 2,800,000 shares and 1,972,735 shares, respectively; and

- the assignment of subscription rights of Valiant to SMPI amounting to 523,726 shares (Tranche 1) and 4,713,539 shares (Tranche 2).

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

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

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

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

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

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

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

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

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

Subject to the approval of the relevant government regulatory agencies, the Stockholders and BOD approved on April 25, 2023 and February 28, 2023, respectively, the amendment of the Articles of Incorporation to increase the Bank's authorized capital stock from P21,575,114,700 (divided into 1,702,511,470 common shares and 455,000,000 preferred shares) to P28,198,773,840 (divided into 2,364,877,384 common shares and 455,000,000 preferred shares). As of December 31, 2025, the Bank is in process of completing the documentary requirements necessary to obtain BSP approval.

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

Cash Dividend

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

On May 27, 2025, the BOD declared cash dividends amounting to P851.4 million or equivalent to P0.25 regular dividend per common share, P0.20 special dividend per common share, and P0.5280 per preferred share, payable on July 15, 2025 to all stockholders of record as of June 19, 2025.

Equity Restructuring

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

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

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

Capital Management

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

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

Under Section 121 of the MORB, *Minimum Required Capital,* the minimum capitalization requirement applicable for the Bank (universal banks with more than 100 branches) amounted to P20.0 billion. The Bank achieved this level with the August 2021 infusion of additional capital mentioned above. On December 23, 2021, the BSP approved the upgrade of the Bank's banking license from commercial bank to universal bank (UB) subject to certain regulatory requirements. On October 24, 2022, the Bank received from the BSP the Certificate of Authority to Operate as a Universal Bank dated October 4, 2022. As at December 31, 2025 and 2024, the reported unimpaired capital of the Bank amounted to P34.9 billion and P32.1 billion, respectively.

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

Regulatory Qualifying Capital

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

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

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

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

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

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

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

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

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

- Has positive retained earnings as of the preceding quarter and has complied with the requirements on the declaration of dividends as provided in the MORB;

- Has CET1 of more than the total required (minimum CET1 ratio of 6.0% plus CCB of 2.5% plus CcyB at the rate determined by the MB) before distribution; and

- Has complied with the minimum capital ratios (CET1 ratio of 6.0%, Tier 1 ratio of 7.5% and 10.0% CAR) after the distribution.

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

As at December 31, 2025 and 2024, based on the CAR reports submitted to BSP, the Bank's CAR of 16.48% and 17.58%, respectively, exceeded the minimum 10.0% requirement as computed and monitored using the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios"), based on the Basel III framework. The decrease in the CAR ratio reflects the expansion of credit and market risk weighted assets arising from the Bank's higher loan and securities exposures, which outweighed the increase in unimpaired capital driven by the earnings growth.

The breakdown of the Bank's risk-weighted assets as at December 31, 2025 and 2024 as reported to BSP follows (amounts in thousands):

	2025	2024
Credit risk-weighted assets	**P185,950,201**	P160,363,565
Operational risk-weighted assets	**17,177,154**	14,407,072
Market-risk weighted assets	**3,450,743**	1,512,215
	P206,578,098	P176,282,852

The Bank is also required to maintain a minimum Tier 1 capital ratio of 7.5% in 2025 and 2024 (in millions) as reported to BSP which was compiled as per below:

	2025	2024
Tier 1 capital	**P32,464**	P29,638
Tier 2 capital	**1,576**	1,347
Total qualifying capital	**P34,040**	P30,985
CET1 capital	**P27,063**	P24,237
Risk-weighted assets	**P206,578**	P176,283
CET1 ratio	**13.10%**	13.75%
Tier 1 capital ratio	**15.72%**	16.81%
Total capital ratio	**16.48%**	17.58%

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

a) non-performing assets and operating losses of TRB capitalized as miscellaneous assets and subject to staggered allowance provisioning;

b) accounting for investment properties.

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

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

The Bank exceeded the minimum leverage ratio of 5.0% as at December 31, 2025 and 2024 which was complied as per below breakdown (amounts in thousands):

	2025	2024
Capital measure	**P32,463,857**	P29,637,638
Exposure measure	**299,090,818**	278,642,739
Leverage ratio	**10.85%**	10.64%

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

Based on the LCR reports submitted to the BSP as at December 31, 2025 and 2024, the Bank's LCR were 169.16% and 178.68%, respectively, which were above the prescribed minimum requirement set at 100.0%.

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

As at December 31, 2025 and 2024, the reported NSFR of 128% and 145%, respectively, exceeded the required minimum of 100%.

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

25. Surplus Reserve

	2025	2024	2023
Reserve for general provision - special reserve	**P1,343,275,024**	P939,993,441	P877,491,849
Reserve for trust business	**180,516,595**	169,052,115	157,512,612
Reserve for self-insurance	**60,000,000**	60,000,000	60,000,000
	P1,583,791,619	P1,169,045,556	P1,095,004,461

Reserve for General Provision - Special Reserve

The BSP, through Circular No. 1011, *Guidelines on the Adoption of the PFRS 9*, requires appropriation of the Bank's retained earnings in case the computed allowance for credit losses on loans based on PFRS 9 is less than the BSP required 1.0% general provision on outstanding Stage 1 on-balance sheet loans, except for accounts considered as risk-free under existing regulations. Additional appropriation for reserve for general provision amounted to P403.3 million, P62.5 million, and P102.3 million in 2025, 2024 and 2023, respectively.

Reserve for Trust Business
In compliance with BSP regulations, 10.0% of the Bank's profit from trust business is appropriated to surplus reserve. This yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Bank's authorized capital stock. Additional appropriation for reserve for trust business amounted to P11.5 million in 2025 and 2024, and P9.3 million in 2023.

Reserve for Self-insurance
Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation and other unlawful acts of the Bank's personnel or third parties. No additional appropriation for Reserve for self-insurance was made in 2025, 2024, and 2023.

26. Interest Income on Debt Securities

This account consists of:

	Note	**2025**	2024	2023
Investment securities at amortized cost:	*11*			
Government securities		**P1,755,747,951**	P1,751,627,968	P1,716,340,695
Private debt securities		**67,860,540**	80,500,659	85,656,947
Financial assets at FVOCI:	*10*			
Government securities		**1,516,713,315**	854,777,572	445,722,527
		3,340,321,806	2,686,906,199	2,247,720,169
Financial assets at FVPL	*9*			
Government securities		**285,715,114**	126,909,743	21,561,207
		P3,626,036,920	P2,813,815,942	P2,269,281,376

Foreign currency-denominated investment securities at amortized cost bear EIRs ranging from 0.8% to 4.3% in 2025, and from 0.8% to 5.3% in 2024 and 2023.

Peso-denominated investment securities at amortized cost bear EIRs ranging from 2.6% to 8.1% in 2025, and from 2.3% to 8.1% in 2024 and 2023.

Foreign currency-denominated financial assets at FVOCI bear EIRs ranging from 2.6% to 4.5% in 2025, 2024 and 2023. Peso-denominated financial assets at FVOCI bear EIRs ranging from 3.6% to 6.8% in 2025 and 2024, and from 3.6% to 6.9% in 2023.

Foreign currency-denominated financial assets at FVPL bear annual interest rates ranging from 2.5% to 8.6% in 2025, from 2.2% to 8.6% in 2024, and from 1.6% to 8.6% in 2023. Peso-denominated financial assets at FVPL bear annual interest rates ranging from 3.6% to 8.1%, from 2.6% to 8.6%, and from 2.6% to 9.3% in 2025, 2024, and 2023, respectively.

27. Service Charges, Fees and Commissions

Service Charges, Fees and Commissions - Income
This account consists of:

	2025	2024	2023
Credit card fees	**P205,175,739**	P190,895,182	P179,629,720
Trust income	**194,738,959**	185,602,042	174,904,628
Underwriter and arranger's fees	**175,431,518**	292,684,017	148,709,683
Service charges	**157,217,036**	161,058,043	157,871,633
Fees and commissions	**77,402,253**	68,341,607	55,744,047
Letters of credit fees	**72,843,504**	109,140,234	77,530,188
Penalty charges	**29,373,108**	23,763,728	34,546,673
Remittance fees	**18,535,116**	21,052,949	37,065,138
Commitment fees	**974,672**	9,352,113	10,144,513
Telegraphic transfer fees	**953,844**	3,979,921	3,375,067
Others	**15,278,104**	8,894,038	6,858,195
	P947,923,853	P1,074,763,874	P886,379,485

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

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

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

Service Fees and Commissions - Expenses
This account consists of:

	2025	2024	2023
Transaction and service fees	**P235,084,941**	P328,732,411	P273,919,598
Mastercard fees	**114,642,340**	95,687,054	77,654,916
Fees and commissions	**65,769,319**	63,644,608	58,759,010
Others	**10,069,462**	7,056,231	7,590,497
	P425,566,062	P495,120,304	P417,924,021

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

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

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

	Note	**2025**	2024	2023
Financial assets and liabilities at FVPL:				
Debt securities:				
Unrealized	*9*	**P65,017,733**	(P1,017,785)	P22,810,265
Realized		**14,633,609**	(1,645,410)	(19,188,811)
Equity securities:				
Realized		**-**	-	12,535
Financial assets at FVOCI	*10*	**16,457,282**	1,623,076	6,964,361
		P96,108,624	(P1,040,119)	P10,598,350

29. Employee Benefits

Compensation and Fringe Benefits
The details of the following accounts in 2025, 2024 and 2023 follow:

	2025	2024	2023
Salaries and allowances	**P1,661,866,208**	P1,504,714,424	P1,326,204,346
Bonuses	**699,600,000**	508,400,000	460,950,000
Employee benefits	**504,558,258**	440,596,896	337,516,981
Retirement benefits	**98,528,869**	135,889,019	91,753,151
Overtime	**72,342,473**	47,195,764	41,971,618
	P3,036,895,808	P2,636,796,103	P2,258,396,096

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

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

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

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

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

The date of the last actuarial valuation is December 31, 2025. Valuations are performed on an annual basis.

As at December 31, 2025, 2024 and 2023, the principal actuarial assumptions used in determining retirement benefits liability for the Bank's retirement plan are shown below:

	2025	2024	2023
Average working life	**9.0**	9.0	13.0
Discount rate	**6.4%**	6.1%	6.1%
Future salary increases	**6.6%**	6.6%	6.6%

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

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

	Defined Benefits Obligation			**Fair Value of Plan Assets**			**Net Retirement Benefit Liability (Asset)**		
	2025	2024	2023	**2025**	2024	2023	**2025**	2024	2023
Balance at January 1	**P1,422,454**	P1,343,134	P1,027,606	**(P1,849,744)**	(P1,216,994)	(P1,100,754)	**(P427,290)**	P126,140	(P73,148)
Included in Profit or Loss									
Current service cost	**124,593**	128,195	94,990	**-**	-	-	**124,593**	128,195	94,990
Interest expense (income)	**86,770**	81,931	77,119	**(112,834)**	(74,237)	(80,356)	**(26,064)**	7,694	(3,237)
	211,363	210,126	172,109	**(112,834)**	(74,237)	(80,356)	**98,529**	135,889	91,753
Included in OCI									
Remeasurement loss (gain):									
Actuarial loss (gain) arising from:									
Financial assumptions	**(34,686)**	-	167,475	**-**	-	-	**(34,686)**	-	167,475
Demographic assumptions	**-**	(50,935)	-				**-**	(50,935)	-
Experience adjustment	**23,148**	29,700	81,345	**-**	-	-	**23,148**	29,700	81,345
Return on plan assets excluding interest income	**-**	-	-	**(3,664)**	(12,811)	39,176	**(3,664)**	(12,811)	39,176
	(11,538)	(21,235)	248,820	**(3,664)**	(12,811)	39,176	**(7,874)**	(34,046)	287,996
Others									
Contributions paid by the employer	**-**	-	-	**-**	(655,273)	(180,461)	**-**	(655,273)	(180,461)
Benefits paid	**(94,533)**	(109,571)	(105,401)	**94,533**	109,571	105,401	**-**	-	-
	(94,533)	(109,571)	(105,401)	**94,533**	(545,702)	(75,060)	**-**	(655,273)	(180,461)
Balance at December 31	**P1,527,746**	P1,422,454	P1,343,134	**(P1,864,381)**	(P1,849,744)	(P1,216,994)	**(P336,635)**	(P427,290)	P126,140

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

	2025	2024	2023
Balance at beginning of year	**P331,673,141**	P365,718,897	P77,723,200
Remeasurement losses (gains) on:			
Defined benefits obligation	**(11,538,333)**	(21,234,266)	248,820,103
Plan assets	**3,664,751**	(12,811,490)	39,175,594
Net change in remeasurement losses (gains) recorded in OCI	**(7,873,582)**	(34,045,756)	287,995,697
Balance at end of year	**P323,799,559**	P331,673,141	P365,718,897

The actual return on plan assets amounted to P109.2 million and P87.0 million in 2025 and 2024, respectively.

The Bank expects to contribute P153.5 million to its defined benefit retirement plan in 2026.

The major categories of the fair value of plan assets as at December 31, 2025 and 2024 follow:

	2025	2024
Investment securities:		
Government and other debt securities	**P1,372,938,428**	P1,185,718,267
Quoted equity securities	**471,059,041**	488,000,625
Unquoted equity securities	**2,600**	2,600
Deposits with the bank	**1,518,047**	47,946,914
Loans receivables	**-**	107,910,000
Other receivables	**18,862,550**	20,165,796
Total Plan Assets	**P1,864,380,666**	P1,849,744,202

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

	December 31, 2025			
	Discount Rate		**Salary Increase Rate**	
	+1.00%	**-1.00%**	**+1.00%**	**-1.00%**
Present value of the defined benefit obligation	**P1,421,269,576**	**P1,648,890,492**	**P1,637,276,621**	**P1,429,464,876**
Fair value of plan assets	**(1,864,380,666)**	**(1,864,380,666)**	**(1,864,380,666)**	**(1,864,380,666)**
Net retirement assets	**(P443,111,090)**	**(P215,490,174)**	**(P227,104,045)**	**(P434,915,790)**

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

The maturity analyses of the undiscounted benefit payments as at December 31, 2025 and 2024 are as follows:

	2025	2024
1 - 5 years	**P896,026,718**	P737,989,897
6 - 10 years	**1,238,477,973**	1,194,923,143
11 - 15 years	**938,312,755**	946,660,214
16 years and up	**3,533,019,616**	3,185,757,321
	P6,605,837,062	P6,065,330,575

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

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

The weighted average duration of the defined benefit obligations is 7 years and 8 years, respectively, as at December 31, 2025 and 2024. The expected average remaining working lives as at December 31, 2025 and 2024 are 9 years.

30. Rent and Utilities

The table below shows the breakdown of rent and utilities in 2025, 2024, and 2023.

	2025	2024	2023
Security services	**P246,163,048**	P225,991,810	P197,680,447
Repairs and maintenance	**208,421,705**	164,478,895	199,706,881
Power, light, water	**91,427,159**	76,876,406	112,852,064
Rent expense	**80,750,993**	93,868,520	81,928,780
Janitorial services	**53,345,984**	47,405,771	42,226,915
Insurance	**19,844,959**	14,074,959	13,302,902
Total	**P699,953,848**	P622,696,361	P647,697,989

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

Bank as Lessee

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

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

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

Right-of-Use Assets

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

Lease Liabilities

The table below shows maturity analysis of lease liabilities as at December 31, 2025 and 2024 (amounts in thousands).

	December 31, 2025						
	Within 1 Year	**2 Years**	**3 Years**	**4 Years**	**5 Years**	**Over 5 Years**	**Total**
Lease payments	**P256,050**	**P209,178**	**P155,142**	**P86,048**	**P30,340**	**P25,793**	**P762,551**
Finance charges	**35,033**	**22,378**	**12,051**	**5,432**	**2,197**	**2,524**	**79,615**
Net amount	**P221,017**	**P186,800**	**P143,091**	**P80,616**	**P28,143**	**P23,269**	**P682,936**

	December 31, 2024						
	Within 1 Year	2 Years	3 Years	4 Years	5 Years	Over 5 Years	Total
Lease payments	P231,879	P196,171	P154,953	P100,318	P34,413	P25,710	P743,444
Finance charges	34,437	23,239	13,383	5,984	2,320	2,490	81,853
Net amount	P197,442	P172,932	P141,570	P94,334	P32,093	P23,220	P661,591

The table below shows the amounts recognized in the statements of income in 2025, 2024 and 2023 related to leases under PFRS 16 (amounts in millions).

	2025	2024	2023
Interest on lease liabilities	**P42.7**	P39.2	P32.8
Expenses relating to short-term leases	**67.4**	78.2	70.0
Expenses relating to lease of low-value assets, excluding short-term leases of low-value assets	**13.3**	15.7	12.0

Total cash outflow for leases recognized in 2025, 2024 and 2023 amounted to P347.7 million, P340.3 million, and P320.1 million, respectively.

Bank as Lessor

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

Rental income recognized by the Bank on its commercial properties (shown under "Miscellaneous" in the statements of income) for the years ended December 31, 2025, 2024, and 2023 were P0.9 million, P0.4 million, and P1.6 million, respectively, and includes rental income on investment properties (Note 15). The Bank also recognized income from the use of safety deposit boxes amounted to P2.9 million in 2025 and 2024 and P3.0 million in 2023 (see Note 31).

As at December 31, 2025 and 2024, the Bank has no future rental receivables under non-cancellable operating lease.

31. Miscellaneous Income and Expenses

Miscellaneous Income

This account consists of:

	Note	**2025**	2024	2023
Passed-on GRT		**P44,775,453**	P30,904,732	P50,377,835
Recovery from charged-off assets		**18,069,044**	23,887,421	71,119,179
Rent income	*15, 30*	**3,789,098**	3,384,031	4,602,172
Dividend income	*10*	**2,661,396**	3,855,229	5,604,161
Others		**62,776,203**	40,543,606	13,573,035
		P132,071,194	P102,575,019	P145,276,382

Others include excess chattel fees.

Miscellaneous Expenses
This account consists of:

	Note	**2025**	2024	2023
Marketing		**P87,723,257**	P104,522,119	P103,566,171
Communications		**86,621,455**	68,901,123	79,890,227
Supervision and examination fee		**78,078,923**	74,970,716	83,011,437
Management fee on deposits		**50,103,058**	37,808,330	31,354,437
Forms and supplies		**46,689,310**	47,167,702	51,808,966
Messengerial services		**43,804,615**	40,360,550	39,440,243
Fines and penalties		**43,502,070**	584,538	3,372,381
Transportation and travel		**32,349,244**	32,538,500	42,598,156
Membership dues		**27,384,772**	22,817,813	27,594,750
Royalty fees		**18,135,430**	7,846,214	5,600,000
Litigation and acquired assets-related expenses	*15*	**15,862,955**	39,850,996	27,984,321
Bank charges		**13,686,060**	12,183,312	10,889,575
Others		**19,805,530**	8,533,669	12,682,319
		P563,746,679	P498,085,582	P519,792,983

Others include other provisions and postage.

32. Income and Other Taxes

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

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

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

On May 29, 2025, R.A. No. 12214, *Capital Markets Efficiency Promotion Act* (CMEPA Law), was signed into law and took effect on July 1, 2025. The following are key amendments to the National Internal Revenue Code (NIRC) of 1997 introduced by CMEPA:

- Interest income by individuals and corporations, except non-residents, from depository banks under the expanded foreign currency deposit system shall be subject to 20% final tax.
- Interest income from long-term deposits and investments with maturity period of not less than five (5) years of individuals shall be subject to 20% final tax.

- Capital gains from the sale, exchange or other disposition of shares of stock in a domestic or foreign corporation not traded in a local or foreign stock exchange shall be subject to 15% capital gains tax (CGT), regardless of the classification and status of the seller. For non-resident foreign corporations, only capital gains from sale, exchange or other dispositions of shares of stocks of a domestic corporation, not traded in a local or foreign stock exchange, shall be subject to 15% CGT.
- For domestic shares traded through a local stock exchange, the stock transaction tax (STT) rate shall be reduced from 0.6% to 0.1%. Similarly, shares in a foreign corporation sold or disposed of through a local stock exchange are subject to the same STT, in lieu of CGT.
- Gains derived from the sale, exchange, or retirement of bonds, debentures, or other certificates of indebtedness, including those with a maturity period of more than 5 years, are now subject to income tax. Any tax exemption and preferential rate on financial instruments issued or transacted prior to July 1, 2025, shall be subject to the prevailing rate at the time of issuance for the remaining maturity of the relevant agreement.
- The documentary stamp tax on the original issuance of shares has been reduced from 1.0% to 0.75% of the par value of such shares of stock.
- Deposit substitutes shall exclude reverse repurchase agreements entered into by and between the BSP and any authorized agent bank, certificates of assignment or participation, and similar instruments with recourse.

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

- Regular corporate income tax rate is decreased from 30.0% to 25.0% starting July 1, 2020;
- Minimum corporate income tax rate is decreased from 2.0% to 1.0% starting July 1, 2020 until June 30, 2023;
- The allowable deduction for interest expense shall be reduced by 20.0% of interest income subjected to final tax, instead of the previous 33.0%; and
- The imposition of 10.0% tax on improperly accumulated retained earnings is repealed.

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

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

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

- Offshore income or the income derived by FCDUs from foreign currency transactions with nonresidents, Offshore Banking Units (OBUs) in the Philippines, local commercial banks including branches of foreign banks that may be authorized by BSP to transact business with FCDUs and other depository banks under the foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the MB to be subject to the regular income tax payable by banks.

- Gross onshore income or interest income from foreign currency loans granted by FCDUs to residents through offshore units in the Philippines or other depository banks under the expanded system shall be subject to final tax at a rate of 10.0%; and

- Effective July 1, 2025, interest income derived by resident individual or corporation on deposits with FCDUs and OBUs, formerly taxed at 15.0%, shall be subject to 20.0% final tax.

Income tax expense consists of:

	2025	2024	2023
Current:			
Final	**P868,442,978**	P773,895,471	P728,807,543
RCIT	**401,057,925**	6,155,999	93,876,511
Tax benefit	**(43,060,009)**	-	(25,186,431)
MCIT	-	110,350,681	-
	1,226,440,894	890,402,151	797,497,623
Deferred	**40,816,783**	27,366,145	136,393,568
	P1,267,257,677	P917,768,296	P933,891,191

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

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

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

	2025	2024	2023
Income before income tax expense	**P4,807,127,076**	P3,942,707,406	P3,736,110,366
Income tax at statutory rate	**P1,201,781,769**	P985,676,852	P934,027,592
Additions to (reductions in) income taxes resulting from the tax effects of:			
Nondeductible expenses	**306,964,747**	219,014,569	192,649,750
Tax paid income	**(156,998,855)**	(207,327,724)	(157,558,235)
Nontaxable income	**(57,575,598)**	(38,977,837)	(62,716,480)
FCDU income	**(24,671,161)**	(5,487,915)	(25,552,958)
Changes in unrecognized deferred tax assets	**(10,636,556)**	(10,502,984)	59,498,560
Others	**8,393,331**	(24,626,665)	(6,457,038)
Effective income tax	**P1,267,257,677**	P917,768,296	P933,891,191

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

	Beginning Balance (January 1, 2025 Tax Effect)	**Amount (Charged) Credited to Profit or Loss**	**Amount Recognized in OCI**	**Ending Balance (December 31, 2025 Tax Effect)**
Deferred tax assets:				
Allowance for credit and impairment losses	**P562,624,786**	**P27,347,228**	**P -**	**P589,972,014**
Accumulated depreciation on foreclosed properties	**243,200,102**	**(11,468,349)**	**-**	**231,731,753**
Accrued employee benefits and other expenses	**140,933,002**	**43,065,229**	**-**	**183,998,231**
Lease liabilities	**165,397,736**	**5,336,146**	**-**	**170,733,882**
Unamortized past service cost	**142,862,686**	**(18,243,993)**	**-**	**124,618,693**
Unrealized loss on foreclosed properties	**54,505,252**	**(2,530,822)**	**-**	**51,974,430**
Accrued rent expense	**1,277,370**	**412,160**	**-**	**1,689,530**
Excess of MCIT over RCIT	**43,060,009**	**(43,060,009)**	**-**	**-**
	1,353,860,943	**857,590**	**-**	**1,354,718,533**
Deferred tax liabilities:				
Unrealized gain on foreclosed properties	**(470,720,160)**	**28,471,280**	**-**	**(442,248,880)**
Retirement benefits	**(189,740,855)**	**24,632,218**	**-**	**(165,108,637)**
Right-of-use asset	**(153,197,581)**	**(5,665,685)**	**-**	**(158,863,266)**
Unrealized gain on financial assets at FVOCI	**(1,309,831)**	**-**	**(136,437,696)**	**(137,747,527)**
Unrealized foreign exchange gain	**(74,150,382)**	**(50,514,565)**	**-**	**(124,664,947)**
Unamortized bond transaction cost	**-**	**(29,749,782)**	**-**	**(29,749,782)**
Unrealized gain on financial assets at FVPL	**(2,722,760)**	**(12,542,538)**	**-**	**(15,265,298)**
Gain on investment properties sold under installments	**(14,998,830)**	**3,694,699**	**-**	**(11,304,131)**
	(906,840,399)	**(41,674,373)**	**(136,437,696)**	**(1,084,952,468)**
Net Deferred Tax Assets (Liabilities)	**P447,020,544**	**(P40,816,783)**	**(P136,437,696)**	**P269,766,065**

	Beginning Balance (January 1, 2024 Tax Effect)	Amount (Charged) Credited to Profit or Loss	Amount Recognized in OCI	Ending Balance (December 31, 2024 Tax Effect)
Deferred tax assets:				
Allowance for credit and impairment losses	P594,762,020	(P32,137,234)	P -	P562,624,786
Accumulated depreciation on foreclosed properties	219,129,112	24,070,990	-	243,200,102
Lease liabilities	148,341,109	17,056,627	-	165,397,736
Accrued employee benefits and other expenses	164,455,579	(23,522,577)	-	140,933,002
Unamortized past service cost	-	142,862,686	-	142,862,686
Unrealized loss on foreclosed properties	60,786,237	(6,280,985)	-	54,505,252
Excess of MCIT over RCIT	-	43,060,009	-	43,060,009
Accrued rent expense	1,036,852	240,518	-	1,277,370
	1,188,510,909	165,350,034	-	1,353,860,943
Deferred tax liabilities:				
Unrealized gain on foreclosed properties	(436,144,626)	(34,575,534)	-	(470,720,160)
Retirement benefits	(59,894,848)	(129,846,007)	-	(189,740,855)
Right-of-use asset	(136,498,762)	(16,698,819)	-	(153,197,581)
Unrealized foreign exchange gain	(62,036,775)	(12,113,607)	-	(74,150,382)
Gain on investment properties sold under installments	(18,239,378)	3,240,548	-	(14,998,830)
Unrealized gain on financial assets at FVPL	-	(2,722,760)	-	(2,722,760)
Unrealized gain on financial assets at FVOCI	(363,597)	-	(946,234)	(1,309,831)
	(713,177,986)	(192,716,179)	(946,234)	(906,840,399)
Net Deferred Tax Assets (Liabilities)	P475,332,923	(P27,366,145)	(P946,234)	P447,020,544

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

	2025		2024		2023	
	Deductible Temporary Differences	**Deferred Tax Assets**	Deductible Temporary Differences	Deferred Tax Assets	Deductible Temporary Differences	Deferred Tax Assets
Allowance for credit and impairment losses*	**P2,713,851,614**	**P678,462,904**	P2,750,826,400	P687,706,600	P2,826,627,838	P706,656,960
Unrealized loss on financial assets at FVPL	**-**	**-**	-	-	4,023,806	1,005,952
Others	**24,905,372**	**6,226,343**	30,476,810	7,619,203	168,557,986	42,139,497
Deferred tax items not recognized in profit or loss	**2,738,756,986**	**684,689,247**	2,781,303,210	695,325,803	2,999,209,630	749,802,409
Remeasurement losses on retirement asset	**323,799,559**	**80,949,890**	331,673,141	82,918,285	365,718,897	91,429,724
Unrealized loss on financial assets at FVOCI	**165,757,255**	**41,439,314**	133,169	33,292	-	-
Deferred tax items not recognized in OCI	**489,556,814**	**122,389,204**	331,806,310	82,951,577	365,718,897	91,429,724
	P3,228,313,800	**P807,078,451**	P3,113,109,520	P778,277,380	P3,364,928,527	P841,232,133

**Includes allowances on miscellaneous assets-TRB, accounts receivables, and accounts that are not credit-impaired*

As at December 31, 2025 and 2024, the Bank has no carryforward NOLCO.

Details of the Bank's RBU excess MCIT over RCIT as at December 31, 2025 follow:

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

33. Related Party Transactions

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

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

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

		Amount/Volume			Outstanding Balance		
Category	***Note***	**2025**	2024	2023	**2025**	2024	**Nature, Terms and Conditions**
Investors							
Lease	*30*	**P4,119**	P147	P158	**P16,158**	P -	Fixed monthly lease payments with no variable lease component, and renewable upon mutual agreement
Trust income	*27*	**809**	795	665	**469**	568	Retirement plan managed and administered by the Bank's Trust Services Group under an Investment Management Account (IMA) Agreement
Deposit liabilities	*18*	**-**	-	-	**303,299**	271,077	Consists of current, savings and time deposits which earn interest at the respective bank deposit rates
Deposits		**23,711,231**	15,631,179	9,515,594	**-**	-	
Withdrawals		**23,208,147**	15,456,917	9,363,788	**-**	-	
Accrued interest payable	*21*	**1,666**	3,298	2,235	**418**	171	Interest expense and accrued interest payable on deposits
Associate							
Investment in an associate	*13*	**841**	611	783	**33,421**	34,433	24.26% equity interests in BIC which is a stockholder of the Bank and share in net loss of BIC
Other Related Parties							
Investment securities at amortized cost	*11*	**-**	-	-	**-**	P266,346	Long-term bonds with interest rates ranging from 6.5% to 8.1% with maturity in 2025
Maturities		**266,390**	78,770	36,570	**-**	-	Matured bond had interest rates ranging from 6.5% to 8.1%
Loans and receivables - net:	*12*						
Receivables from customers:		**-**	-	-	**67,662,032**	52,543,906	Term, housing, auto, salary and personal loans with interest rates
Availments		**150,268,861**	139,453,828	111,576,878	**-**	-	ranging from 4.8% to 21.6% and with maturity of less than 1 year
Settlements		**142,811,666**	123,122,822	100,198,842	**-**	-	to 20 years; Collateral includes real estate mortgage, unregistered chattel mortgage, hold-out on deposit, assignment of contract and concession agreement, continuing surety agreement, and pledge agreement on shares
Accrued interest receivables:		**-**	-	-	**474,517**	340,694	Accrued interest receivables on loans and long-term bonds
Interest income		**5,278,670**	3,787,163	2,875,183	**-**	-	Interest income on loans and long-term bonds
Deposit liabilities:	*18*	**-**	-	-	**86,084,609**	77,453,490	Consists of current, savings and time deposits which earn
Deposits		**8,755,503,257**	6,995,121,632	6,156,555,651	**-**	-	interest at the respective bank deposit rates
Withdrawals		**7,796,122,550**	5,355,876,025	5,038,723,856	**-**	-	
Accrued interest payable	*21*	**317,940**	965,437	965,603	**59,059**	78,141	Interest expense and accrued interest payable on deposits
Accrued other expenses and other liabilities	*21, 22*	**276,612**	357,140	319,048	**76,956**	2,945,125	Accrued other expenses include professional fees, per diem of Directors and accruals for rent and utilities; On demand, unsecured and non-interest bearing; Other liabilities consists of accounts payable to Bank's officers; On demand, unsecured and non-interest bearing
Fees and other income	*27, 31*	**361,185**	406,456	219,010	**-**	-	Loan, underwriting, and investment-related fees and commission income, gain from the cash and installment sale transactions of foreclosed properties and passed-on GRT
Commitments and contingent liabilities	*38*	**-**	-	-	**23,896,918**	25,485,310	Bank guarantees and outstanding letters of credit in favor of related party and committed credit line

Unless otherwise stated, RPTs disclosed are unsecured and balances are net of allowance

As at December 31, 2025 and 2024, outstanding bills purchased of related parties with contra account in "Other liabilities" amounted to P1.5 billion and P676.9 million, respectively (see Notes 12 and 22).

Other related parties are companies linked directly or indirectly to the Bank through one or more intermediaries or are members of the same group, is controlled by, is under the same significant influence, or is under common control with the Bank.

The related party transactions shall be settled in cash.

As at December 31, 2025 and 2024, the allowance for credit losses on outstanding transactions with other related parties amounted to P320.9 million and P337.2 million, respectively. Reversal of provision for credit losses recorded in 2025 on such related party transactions totaled to P16.4 million. Provision for credit losses recorded in 2024 and 2023 on such related party transactions totaled to P126.7 million and P120.8 million, respectively. Such outstanding transactions include investment securities at amortized cost, receivables from customers, and accrued interest receivable under the "Loans and receivables - net" account in the statements of financial position and commitment and contingent liabilities.

Transactions with Retirement Plan

The Bank's retirement plan is managed and administered by the Bank's Trust Services Group which is covered by an Investment Management Account (IMA) Agreement (agency relationship). The fair values of the plan assets are disclosed in Note 29.

The related unaudited financial information on assets/liabilities as at December 31, 2025 and 2024 and income/expense of the funds for the period ended December 31, 2025, 2024 and 2023 follow:

	2025	2024
Investment securities:		
Government and other debt securities	**P1,372,938,428**	P1,185,718,267
Quoted equity securities	**471,059,041**	488,000,625
Unquoted equity securities	**2,600**	2,600
Loans and other receivables	**18,862,550**	128,075,796
Deposits with the bank	**5,656,451**	51,225,145
Total Plan Assets	**P1,868,519,070**	P1,853,022,433
Trust fee payable	**P4,116,892**	P3,232,525
Other liabilities	**21,512**	45,706
Total Plan Liabilities	**4,138,404**	3,278,231
Net Plan Assets	**P1,864,380,666**	P1,849,744,202

Plan Income	**2025**	2024	2023
Interest income	**P83,566,686**	P60,316,990	P46,133,203
Trading and investment gains (losses) - net	**3,097,811**	11,347,086	(26,652,785)
Dividend income and others	**25,169,908**	19,078,546	28,632,767
	P111,834,405	P90,742,622	P48,113,185
Plan Expense			
Trust fees	**P4,499,323**	P3,493,486	P3,257,172
Provision for (reversal of) credit losses	**(1,595,000)**	(1,882,383)	1,219,179
Other expenses	**1,164,598**	2,107,923	1,980,287
	P4,068,921	P3,719,026	P6,456,638

As at December 31, 2025 and 2024, the retirement plan assets of the Bank include 730,670 shares of the Bank classified under financial assets at FVPL. The shares of the Bank were listed in the PSE on March 31, 2022. As at December 31, 2025 and 2024, the fair market value of the shares amounted to P6.7 million and P4.9 million, respectively. Limitations and restrictions are covered by the IMA Agreement and anything outside the IMA Agreement must be explicitly authorized by the Board of Trustees (BOT).

Interest income on deposit with the Bank amounted to nil, P157,906, and P40,334 in 2025, 2024 and 2023, respectively. Investments are subject to the limitations of the agreement and all other actions pertaining to the fund are to be executed only upon explicit authority by the BOT of the Fund.

The Bank's contribution to its defined benefits retirement plan amounted to nil and P655.3 million in 2025 and 2024, respectively. The Benefits paid out of the Bank's plan assets amounted to P94.5 million and P109.6 million in 2025 and 2024, respectively (see Note 29).

Transactions with Investor
The Bank's Trust Services Group also manages and administers retirement funds of one of the investors under IMA Agreements. The total net assets of these trust accounts amounted to P753.4 million and P407.0 million as at December 31, 2025 and 2024, respectively.

Compensation of Key Management Personnel of the Bank
The compensation of the key management personnel of the Bank follows:

	2025	2024	2023
Short-term employee benefits	**P930,130,876**	P820,006,634	P711,101,785
Post-employment benefits	**31,529,238**	44,843,376	30,278,540
	P961,660,114	P864,850,010	P741,380,325

Director's fees and bonuses in 2025, 2024, and 2023 amounted to P39.9 million, P38.6 million, and P47.3 million, respectively.

34. Acquisition of Selected Assets and Assumption of Certain Liabilities of TRB

A summary of the significant transactions related to the PSA entered into by the Bank with TRB on November 9, 2001 follows:

a. TRB sold and transferred, in favor of the Bank, identified recorded assets owned by TRB both real and personal, or in which TRB has title or interest, and which are included and deemed part of the assets listed and referred to in TRB's Consolidated Statement of Condition (CSOC) as at August 31, 2001. The said assets are inclusive of the banking goodwill of TRB, bank premises, licenses to operate its head office and branches, leasehold rights and patents used in connection with its business or products. In consideration of the sale of identified recorded assets, the Bank assumed identified recorded TRB liabilities including contingent liabilities as listed and referred to in its CSOC as at August 31, 2001.

The liabilities assumed do not include the liability for the payment of compensation, retirement pay, separation benefits and any labor benefits whatsoever arising from, incidental to, or connected with employment in, or rendition of employee services to TRB, whether permanent, regular, temporary, casual or contractual and items in litigation, both actual and prospective, against TRB.

b. The Bank is allowed to avail of certain BSP incentives including but not limited to the following: (a) full waiver of the liquidated damages on the emergency loan of TRB and penalties related to reserve deficiencies and all other outstanding penalties at the time of acquisition may be paid over a period of 1 year, (b) relocation of branches shall be allowed within 1 year from the date of BSP approval of the PSA. Relocation shall be allowed in accordance with BSP Circular No. 293. The 90-day notice requirement on branch relocation has been waived, and (c) availment of rediscounting facility window subject to present BSP regulations.

c. The Bank paid the outstanding emergency advances owed by TRB to BSP originally amounting to P2.4 billion through dacion en pago with mandatory buy-back agreement of certain assets of the Bank and TRB at a price set at 80.0% of the appraised value of those assets (see discussions on Settlement of Liabilities of TRB).

d. The Bank arranged with PDIC a liquidity facility for the first year following the effectivity date in the amount not to exceed 10.0% of the assumed deposit liabilities of TRB to service unanticipated withdrawals by TRB depositors, subject to terms and conditions as may be imposed by PDIC.

Settlement of Liabilities of TRB

Part of the liabilities of TRB assumed by the Bank includes P2.4 billion emergency advances from BSP. As settlement for the emergency advances, a dacion en pago with mandatory buy-back agreement involving certain bank premises and ROPA (with a dacion price equivalent to 80.0% of the average appraised value of the dacion properties) was executed. The dacion en pago with mandatory buy-back agreement contained the following significant terms and conditions:

a. The Bank may repurchase the bank premises and ROPA within 10 years from the execution of the agreement.

b. The buy-back price for the ROPA is the dacion price plus, if applicable, real estate taxes paid by BSP. The buy-back price for the bank premises used in operations shall be the dacion price plus 6.0% simple interest per annum plus 50.0% of rental rates based on prevailing rates in the locality as mutually agreed by the parties with a 4.3% yearly increment.

c. Any gain on sale of the dacion properties within the 10-year holding period, in excess or over the buy-back price, net of any taxes paid related to the sale, shall be shared 70-30 between the Bank and BSP, respectively.

As approved by BSP, properties of the Bank and TRB with net book value amounting to P2.3 billion fully settled the liabilities to BSP assumed by the Bank from TRB amounting to P2.4 billion at the time of dacion; the difference amounting to P102.0 million was credited to other deferred credits (ODC) account. Expenses incurred related to the dacion of properties were offset against ODC.

The Bank fully settled its emergency loan with BSP in June 2012 through cash settlement and permanent transfer of dacioned properties.

FAA

The summary of significant transactions related to the FAA entered into by the Bank with the PDIC, for acting as a "White Knight" by agreeing to the terms and conditions of the PSA with TRB, follows:

a. The PDIC granted the Bank a loan amounting to P1.8 billion representing the amount of insured deposits of TRB as at June 30, 2001, which should have been paid by PDIC under a closure scenario. The proceeds of the loan were used to purchase a 20-year government securities with a coupon rate of 15.0% per annum to be pledged as collateral for the loan. Yield on the 20-year government securities (net of 20.0% withholding tax and the 3.0% interest to be paid on the loan from PDIC) shall be used to offset on a staggered basis, for prudential reporting purposes, against TRB's unbooked valuation reserves on NPAs with a total face value of P4.5 billion, which was approved by BSP to be booked as "Miscellaneous assets".

   On November 29, 2013, the Bank fully settled its loan from PDIC amounting to P1.8 billion.

b. The Bank infused additional fresh capital amounting to P200.0 million in 2001 and commits to infuse additional capital in the event a shortfall in order to comply with BSP's pertinent regulations on minimum capital requirement.

c. The Bank agrees to comply with certain regulatory requirements, to provide information as required by the PDIC, to pursue realization of performance targets based on the financial plan, to secure PDIC's written consent for the appointment of an external auditor, and to entitle PDIC to appoint a consultant.

d. The Bank shall not, among others, without the prior written consent of PDIC, grant new DOSRI loans, make any single major or significant total capital expenditures within five (5) years as defined in the FAA, establish new banking offices or branches, dispose all or substantial portion of its assets except in the ordinary course of business, declare or pay cash dividends, effect any profit sharing or distribution of bonuses to directors and officers of the Bank not in accordance with the financial plan and other transactions or activities not in accordance with the financial plan.

On September 22, 2009, the Bank and PDIC signed a Supplemental Agreement to the 2002 FAA with the following additional terms:

a. To the extent and in the context relevant to the terms of the FAA, PDIC hereby agrees to a limited adjustment of TRB's unbooked valuation reserves/deferred charges/accumulated operating losses, so as to include operating losses accumulated from the period October 2001 to July 2002 in the amount of P596.0 million which shall bring TRB's total unbooked valuation reserves, deferred charges and accumulated operating losses to P4.5 billion;

b. Extension of the FAA for such limited period as shall exactly be sufficient to fully set off on staggered basis the MA-TRB against the net yield of the new series 20-year government securities to be purchased to replace the maturing government securities in March 2022 and likewise to be pledged to PDIC; and

c. Income resulting from the difference between the dacion price and book value of the assets as collateral to BSP, if any, as well as future collections derived by the Bank from NPLs covered by the unbooked valuation reserves shall be deducted from the above amount of P4.5 billion. Such set-off shall be formally and officially reported by BSP to PDIC.

The foregoing Supplemental Agreement did not constitute a significant modification of the terms of the PDIC's below-market loan to the Bank. Had the modification been significant, it would have resulted to the derecognition of the old liability and the recognition of the new liability at its fair value.

In addition, as part of the PSA, there were transactions allowed and approved by BSP, which required different treatment under PFRS Accounting Standards. These transactions and their effects are described below:

Assumption of NPAs of TRB
In addition to the provisions of FAA and subsequent to the approval by BSP and PDIC to recognize NPAs of P144.2 million as miscellaneous assets, the Bank negotiated with BSP and PDIC to include as miscellaneous assets the additional operating losses of TRB amounting to P595.6 million incurred during the transition period of the Bank's assumption of TRB's assets and liabilities.

As at December 31, 2002, a portion of the additional operating losses of TRB amounting to P227.2 million was approved by BSP and PDIC to be included as additional miscellaneous assets. On April 28, 2003, BSP approved the deferral of operating losses amounting to P596.4 million (instead of P595.6 million which was previously negotiated by the Bank and P227.2 million which was previously approved by BSP) thereby increasing the TRB-related bookings to miscellaneous assets to P4.4 billion (see Note 16). NPL included under miscellaneous assets comprised TRB's loans amounting to P3.1 billion as at August 31, 2001 which is excluded in the determination of financial ratios, provisioning and computation of CAR based on the agreed term sheet. Also, BSP considered these miscellaneous assets as non-risk assets and are not subject to classification.

Pursuant to the requirements of PFRS, the allowance for impairment losses on the NPAs amounting to P4.3 billion as at December 31, 2025, 2024 and 2023 were charged in full in the period incurred (see Note 16).

35. Notes to Statements of Cash Flows

The following is a summary of noncash activities of the Bank:

	2025	2024	2023
Noncash investing activities:			
Additions to investment properties and other properties acquired in settlement of loans	**P563,392,624**	P560,787,537	P654,419,110
Additions to ROU assets	**259,651,210**	282,902,827	313,175,775
Additions to PPE on account	**24,040,165**	-	-
Increase in sales contract receivables from sale of investment properties	**47,861,151**	57,832,282	108,020,017

The following table shows the reconciliation analysis of liabilities arising from financing activities for period ended December 31, 2025, 2024 and 2023:

	2025	2024	2023
Beginning balance	**P7,196,038,642**	P8,071,629,499	P7,933,164,363
Additions to lease liabilities	**246,777,776**	278,651,103	307,649,056
Interest accretion	**127,802,601**	84,791,505	68,831,053
Cash flows during the year:			
Proceeds	**22,961,241,094**	19,763,875,764	3,147,150,433
Settlements	**(11,967,292,157)**	(21,001,413,943)	(3,385,165,406)
	10,993,948,937	(1,237,538,179)	(238,014,973)
Other adjustments	**(631,556)**	(1,495,286)	-
Ending balance	**P18,563,936,400**	P7,196,038,642	P8,071,629,499

Other adjustments pertain to reductions to lease liabilities due to pre-termination of lease contracts.

As allowed by PAS 7, short-term borrowings from other banks amounting to P5.1 billion, P13.3 billion, and P3.1 billion in 2025, 2024 and 2023, respectively, are presented in the statements of cash flows on a net basis. In 2025 and 2024, cash proceeds include issuance of bonds payable amounting to P17.8 billion and P6.5 billion, respectively. In 2025 and 2024, cash settlements include settlement of matured bonds amounting to P6.6 billion and P7.5 billion, respectively.

36. Earnings Per Share

Basic earnings per share amounts were computed as follows:

		2025	2024	2023
a.	Net income	**P3,539,869,399**	P3,024,939,110	P2,802,219,175
b.	Dividends on preferred shares*	**286,458,336**	242,916,668	187,916,668
c.	Net income to equity holders of the Bank	**3,253,411,063**	2,782,022,442	2,614,302,507
d.	Weighted average number of outstanding common shares	**1,403,013,920**	1,403,013,920	1,403,013,920
e.	Basic earnings per share (c/d)	**P2.32**	P1.98	P1.86

** potential dividends on preferred shares as these were not assumed to be converted.*

Diluted earnings per share attributable to equity holders of the Bank were computed as follows:

		2025	2024	2023
a.	Net income to equity holders of the Bank	**P3,539,869,399**	P3,024,939,110	P2,802,219,175
b.	Weighted average number of outstanding common shares and dilutive preferred shares:			
	Outstanding common shares*	**1,403,013,920**	1,403,013,920	1,403,013,920
	Potential common shares from assumed conversion of preferred shares	**416,666,670**	416,666,670	416,666,670
c.	Total weighted average common shares	**1,819,680,590**	1,819,680,590	1,819,680,590
d.	Diluted earnings per share (a/c)	**P1.95**	P1.66	P1.54

37. Events after the Reporting Date

On February 24, 2026, the BOD approved the proposed increase in the Peso Bond Programme by P30.0 billion from P50.0 billion to P80.0 billion. The proceeds of the increase will be used for general corporate purposes, including refinancing of outstanding bonds.

38. Supplementary Information Required under Section 174 of the MORB

The following supplementary information is required by Appendix 55 - Disclosure Requirements to the Audited Financial Statements to Section 174 of the MORB of the BSP, issued through BSP Circular No. 1074, *Amendment to Regulations on Financial Audit of Banks.*

Financial Performance Indicators

The following basic ratios measure the financial performance of the Bank:

	2025	2024	2023
Return on average equity	**10.14%**	9.44%	9.52%
Return on average assets	**1.28%**	1.22%	1.25%
Net interest margin on average earning assets	**4.35%**	4.17%	4.28%

Description of Capital Instruments Issued

- *Common Stock*

  As of December 31, 2025 and 2024, the Bank's common stock amounted to P14.0 billion representing 1,403,013,920 issued common shares.

- *Preferred Stock*

  As of December 31, 2025 and 2024, the Bank's issued and outstanding preferred stock amounted to P4.2 billion representing 416,666,670 preferred shares. These preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders after 5 years from issue date, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of the Bank and subject to the other terms and conditions as may be fixed by the BOD, required under regulations, and to the extent permitted by applicable law.

Significant Credit Exposures

As at December 31, 2025 and 2024, information on the concentration of credit as to industry follows (amounts in thousands, except percentages):

	2025		2024	
	Amount	**%**	Amount	%
Electricity, gas, steam, and air-conditioning supply	**P45,099,782**	**27.9**	P45,497,015	33.6
Real estate activities	**30,722,470**	**19.0**	25,014,466	18.5
Construction	**13,355,410**	**8.3**	12,386,390	9.1
Manufacturing	**11,753,921**	**7.3**	11,196,631	8.3
Financial and insurance activities	**10,498,327**	**6.5**	7,176,445	5.3
Transportation and storage	**9,117,307**	**5.6**	2,874,147	2.1
Information and communication	**9,086,771**	**5.6**	5,792,384	4.3
Mining and quarrying	**8,306,988**	**5.1**	1,966,730	1.5
Wholesale and retail trade, repair of motor vehicles and motorcycles	**5,738,624**	**3.5**	7,043,723	5.2
Agriculture, forestry and fishing	**3,769,903**	**2.3**	3,871,709	2.8
Accommodation and food service activities	**3,122,000**	**1.9**	3,151,640	2.3
Water supply, sewerage, waste management and remediation activities	**1,254,677**	**0.8**	1,324,212	1.0
Administrative and support service activities	**310,777**	**0.2**	206,588	0.1
Others*	**9,670,451**	**6.0**	7,978,484	5.9
	P161,807,408	**100.0**	P135,480,564	100.0

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

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

As at December 31, 2025, the Bank does not have credit concentration in any particular industry that exceeds 30.0% of the total loan portfolio. As at December 31, 2024, the table above includes one industry group (electricity, gas, steam and air-conditioning supply) above the 30.0% of the total loan portfolio. However, the Bank has internal sub-classifications for renewable and non-renewable energy under electricity and power industry with separate limits (for renewable energy- 25.0% of the total loan portfolio, non-renewable energy- 30.0%). Existing exposures as at December 31, 2025 and 2024 for this industry are within the acceptable levels. As at December 31, 2025, existing exposures for renewable energy and non-renewable energy were at 11.9% and 16.0%, respectively, of the total loan portfolio. As at December 31, 2024, existing exposures for renewable energy and non-renewable energy were at 12.0% and 21.6%, respectively, of the total loan portfolio.

As at December 31, 2025, 10.0% of the Tier 1 capital amounted to P3.2 billion and the table in the previous page includes the ten industry groups (Electricity, gas, steam and air-conditioning supply, Real estate activities, Construction, Manufacturing, Financial and insurance activities, Transportation and storage, Information and communication, Mining and quarrying, Wholesale and retail trade, repair of motor vehicles and motorcycles, and Agriculture, forestry and fishing) exceeding this level as of that date.

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

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

Under BSP Circular No. 941, *Amendments to the Regulations on Past Due and Non-Performing Loans,* loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Breakdown of Total Loans as to Security

As at December 31, 2025 and 2024, the breakdown of receivables from customers as to collateral follows (amounts in thousands, except percentages):

	2025		2024	
	Amount	**%**	Amount	%
Loans secured by:				
Real estate	**P14,858,216**	**9.2**	P14,346,526	10.6
Security agreement	**14,393,603**	**8.9**	9,449,395	6.9
Deed of pledge	**10,862,419**	**6.7**	4,552,022	3.4
Deed of assignment	**10,520,115**	**6.5**	1,521,330	1.1
Deposit hold-out	**4,854,176**	**3.0**	4,968,854	3.7
Continuing surety agreement	**4,504,170**	**2.8**	4,761,602	3.5
Chattel	**2,902,114**	**1.8**	2,267,390	1.7
Corporate guaranty	**312,500**	**0.2**	1,079,000	0.8
Others*	**9,087,633**	**5.6**	11,525,917	8.5
	72,294,946	**44.7**	54,472,036	40.2
Unsecured	**89,512,462**	**55.3**	81,008,528	59.8
	P161,807,408	**100.0**	P135,480,564	100.0

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

Breakdown of Total Loans as to Status

As at December 31, 2025 and 2024, the breakdown of receivables from customers (net of unearned interest income) as to status, is as follows (amounts in thousands):

	December 31, 2025		
	Performing	**Non-performing**	**Total**
Corporate	**P137,498,016**	**P1,065,291**	**P138,563,307**
Consumers	**18,569,602**	**833,337**	**19,402,939**
Credit card	**1,840,080**	**321,331**	**2,161,411**
Others	**1,596,101**	**507**	**1,596,608**
	P159,503,799	**P2,220,466**	**P161,724,265**

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

As at December 31, 2025 and 2024, the NPLs of the Bank, as reported to BSP, are as follows (in thousands):

	2025	2024
Gross NPLs	**P2,220,466**	P1,694,290
Less deductions as required by BSP	**1,187,502**	1,027,873
Net NPLs	**P1,032,964**	P666,417

Gross and net NPL ratios of the Bank are 1.33% and 0.62%, respectively, as at December 31, 2025 and 1.25% and 0.49%, respectively, as at December 31, 2024.

As at December 31, 2025 and 2024, restructured loans amounted to P1.0 billion and P0.9 billion, respectively. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs. As at December 31, 2025 and 2024, restructured receivables from customers considered as NPLs amounted P852.0 million and P668.2 million, respectively.

Information on Related Party Loans

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

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

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

	2025		2024	
	DOSRI Loans	**Related Party Loans (inclusive of DOSRI)**	DOSRI Loans	Related Party Loans (inclusive of DOSRI)
Total outstanding loans	**P -**	**P67,949,007**	P59	P52,840,911
Percent of DOSRI/Related Party loans to total loans	**0.00%**	**40.60%**	0.00%	38.98%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**22.90%**	0.00%	26.02%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.01%**	0.00%	0.00%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.54%**	0.00%	0.26%

Commitments and Contingencies

In the normal course of operations, the Bank makes various commitments, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingencies at their peso equivalent contractual amounts arising from off-books accounts as at December 31, 2025 and 2024:

	2025	2024
Contingent assets:		
Future/spot exchange bought	**P1,257,580,329**	P3,412,855,000
Fixed income securities purchased	**2,574,327**	25,619,362
	P1,260,154,656	P3,438,474,362
Commitments and contingent liabilities:		
Trust department accounts	**P68,650,340,458**	P72,409,641,964
Committed credit line	**17,379,461,505**	15,658,499,835
Unused commercial letters of credit	**6,614,545,656**	10,207,552,133
Credit card lines	**4,427,078,211**	3,866,333,335
Outstanding guarantees	**2,509,497,648**	2,229,592,892
Future/spot exchange sold	**1,837,127,054**	3,962,382,500
Inward Bills for Collection-Domestic	**197,314,203**	1,272,590
Retirement obligations	**166,555,598**	154,519,260
Fixed income securities sold	**2,574,326**	25,619,362
Late deposits/payments received	**632,179**	59,173,307
Items held for safekeeping/securities held as collateral	**58,653**	64,100
	P101,785,185,491	P108,574,651,278

Retirement obligations pertain to the estimated impact of the amendments to the Bank's retirement plan on past service cost, subject to certain conditions.

The Bank has several loan-related suits, claims and regulatory examinations that remain unsettled or ongoing. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, in consultation with its legal counsels, the suits and claims, if decided adversely, will not involve sums having a material effect on the Bank's financial statements.

Other Commitments
The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

No asset is being pledged by the Bank to secure outstanding liabilities as at December 31, 2025 and 2024.

Trust Assets
Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Bank. Total assets held by the Bank's Trust Services Group amounted to P68.7 billion and P72.4 billion based on audit balances as at December 31, 2025 and 2024, respectively.

In compliance with the requirements of current banking regulations relative to the Bank's trust functions, government securities with face value of P770.0 million as at December 31, 2025 and 2024, which have been included under "Investment securities at amortized cost" (see Note 11), are deposited with BSP.

39. Supplementary Information Required under Revenue Regulations (RR) No. 15-2010

The BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in a note to the separate financial statements. The Bank presented the required supplementary tax information as a separate schedule attached to its annual income tax return.

BANK OF COMMERCE
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR
FEE-RELATED INFORMATION
DECEMBER 31, 2025

	2025	2024
Audit services fees:		
Bank Proper December audit	**P4,472,727**	P3,680,000
Trust audit	**1,415,000**	1,413,500
Additional fee for 2023 Trust audit	**-**	585,000
Total Audit Fees	**5,887,727**	5,678,500
Non-audit services fees:		
Other assurance services	-	2,035,000
Tax services	-	-
All other services	-	-
Total Non-audit Fees	-	2,035,000
Total Audit and Non-audit Fees	**P5,887,727**	P7,713,500

Audit and Non-audit Fees of other related entities

	2025	2024
Audit fees	**P -**	P -
Non-audit services fees:		
Other assurance services	**-**	-
Tax services	**-**	-
All other services	**-**	-
Total Non-audit Fees	**-**	-
Total Audit and Non-audit Fees	**P -**	P -

P&A
Grant Thornton

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

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

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Bank of Commerce (hereinafter referred to as the Bank) for the year ended December 31, 2025, on which we have rendered our report dated March 31, 2026. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards). Such supplementary information is the responsibility of the Bank's 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. 10770756, January 6, 2026, Makati City
SEC Group A Accreditation
Partner - No. 92966-SEC (until financial period 2027)
Firm - No. 0002 (until financial period 2030)
BIR AN 08-002551-021-2025 (until August 6, 2028)
BOA/PRC Cert. of Reg. No. 0002/P-005 (until August 12, 2027)

March 31, 2026

BANK OF COMMERCE

SUPPLEMENTARY SCHEDULES REQUIRED BY SRC RULE 68
DECEMBER 31, 2025

Philippine Securities and Exchange Commission (SEC) issued the Revised Securities Regulation Code Rule (SRC) 68. It prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by the Revised SRC Rule 68. These are presented for purposes of filing with the SEC and is not required part of the basic financial statements.

PART I

Schedule A:	Schedule of Financial Soundness Indicators
Schedule B:	Reconciliation of Retained Earnings Available for Dividend Declaration
Schedule C:	Relationship Map

PART II (Schedules Required by Annex 68-J of the Revised SRC Rule 68)

Schedule A:	Financial Assets
Schedule B:	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
Schedule C:	Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
Schedule D:	Long-Term Debt
Schedule E:	Indebtedness to Related Parties (Long-Term Loans from Related Companies)
Schedule F:	Guarantees of Securities of Other Issuers
Schedule G:	Capital Stock

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
BANK OF COMMERCE
AS OF DECEMBER 31, 2025

Ratio	Formula	Ratio 2025		Ratio 2024	
Current Ratio	Total current assets / Total current liabilities	**102,138,792,190 / 231,416,538,530**	**0.44**	129,064,893,601 / 231,167,878,978	0.56
Acid Test Ratio	Total current financial assets / Total current liabilities	**98,880,831,742 / 231,416,538,530**	**0.43**	126,138,394,041 / 231,167,878,978	0.55
Solvency Ratio	Net income before non-cash expenses / Total liabilities	**4,739,470,633 / 250,275,495,147**	**0.02**	3,883,116,381 / 232,209,999,804	0.02
Debt to Equity Ratio	Total liabilities / Total equity	**250,275,495,147 / 36,578,036,378**	**6.84**	232,209,999,804 / 33,230,067,251	6.99
Asset to Equity Ratio	Total assets / Total equity	**286,853,531,525 / 36,578,036,378**	**7.84**	265,440,067,055 / 33,230,067,251	7.99
Interest Rate Coverage Ratio	Net Income before interest and taxes / Interest expense	**9,346,302,372 / 4,539,175,296**	**2.06**	7,995,617,620 / 4,052,910,214	1.97
Return on Equity	Net income / Average total equity	**3,539,869,399 / 34,904,051,815**	**10.14%**	3,024,939,110 / 32,040,670,072	9.44%
Return on Asset	Net income / Average total assets	**3,539,869,399 / 276,146,799,290**	**1.28%**	3,024,939,110 / 248,554,023,063	1.22%
Net Profit Margin	Net income / Total revenues	**3,539,869,399 / 12,608,513,420**	**28.08%**	3,024,939,110 / 10,756,373,898	28.12%
OTHER RATIOS					
Net Interest Margin	Net interest income / Average interest-earning assets	**10,778,373,447 / 247,579,031,752**	**4.35%**	9,110,929,745 / 218,747,727,360	4.17%
Cost to Income Ratio	Total operating expense / Operating Income	**7,418,344,519 / 12,608,513,420**	**0.59**	6,673,643,458 / 10,756,373,898	0.62
Capital Adequacy Ratio	Total qualifying capital / Total risk-weighted assets	**34,039,523,490 / 206,578,098,498**	**16.48%**	30,984,687,774 / 176, 282,852,171	17.58%
Debt to Assets Ratio	Total Liabilities / Total Assets	**250,275,495,147 / 286,853,531,525**	**0.87**	232,209,999,804 / 265,440,067,055	0.87
Loans to Deposit Ratio	Total gross loans* / Total deposits	**167,365,923,291 / 223,314,116,398**	**0.75**	135,551,757,906 / 212,007,957,883	0.64
Non-performing Loans Cover	Allowance for credit losses on loans / Non-performing loans	**1,842,442,826 / 2,220,465,505**	**82.98%**	1,651,406,599 / 1,694,290,396	97.47%
Non-performing Loans Ratio**	Non-performing loans / Total gross loans	**2,220,465,505 / 167,365,923,291**	**1.33%**	1,694,290,396 / 135,551,757,906	1.25%
Net non-performing loans ratio**	Net non-performing loans / Total gross loans	**1,032,963,664 / 167,365,923,291**	**0.62%**	666,417,434 / 135,551,757,906	0.49%

**Gross loans include receivables from customers (loans), interbank loans receivable and securities purchased under resale agreements.*
***Computed based on BSP Circular 941*

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2025

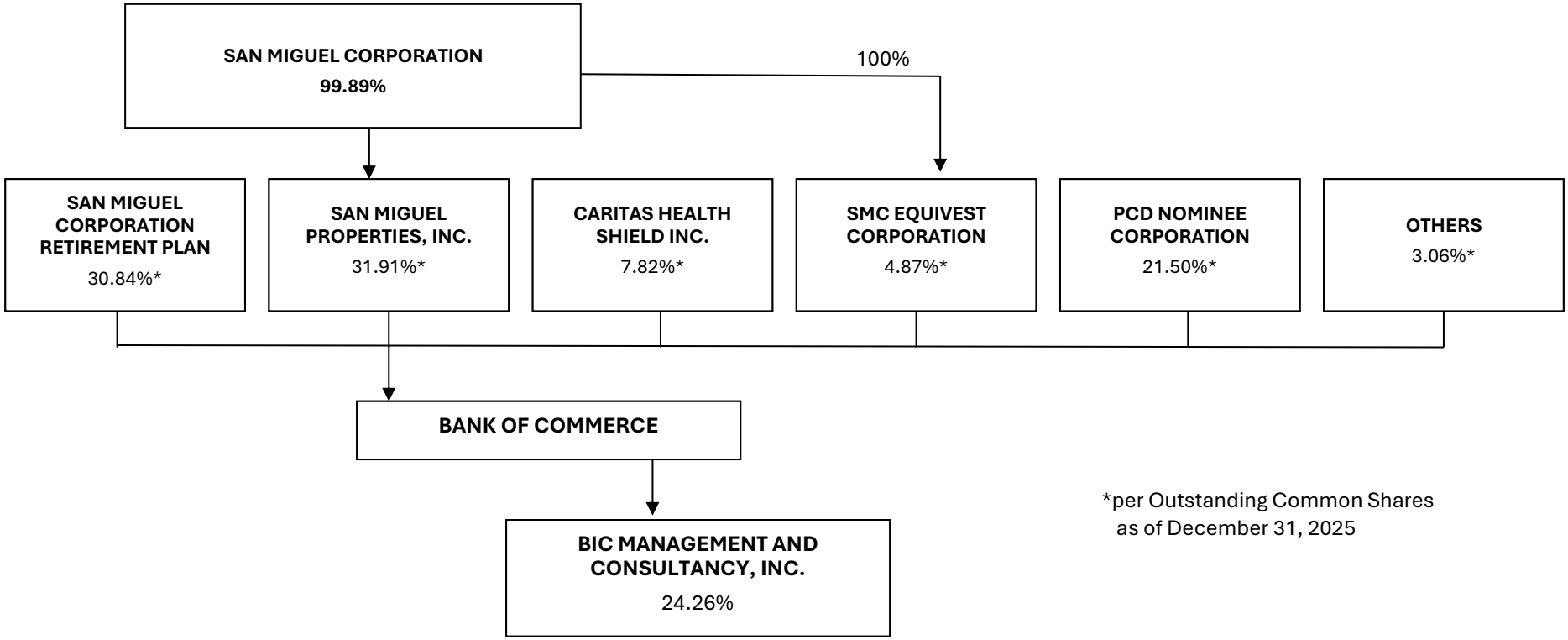
BANK OF COMMERCE

San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City

Unappropriated Retained Earnings, beginning of reporting period		**P4,514,197,356**
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Transfer of gain on equity securities at FVOCI realized through disposal	P15,282,401	**15,282,401**
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	(851,356,266)	
Retained earnings appropriated during the reporting period	(414,746,063)	**(1,266,102,329)**
Unappropriated Retained Earnings, as adjusted		**3,263,377,428**
Add: Net income for the current year		**3,539,869,399**
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	(373,994,842)	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	(48,763,300)	
Unrealized fair value gain of Investment Property	(76,991,164)	
Sub-total		**(499,749,306)**
Add: Category C.3: Unrealized income recognized in the profit or loss in prior reporting periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	222,451,145	
Reversal of previously fair value gain of Investment Property	154,812,537	
Sub-total		**377,263,682**
Adjusted Net Income		**3,417,383,775**
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(16,296,259)	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction	(6,058,686)	
Sub-total		**(22,354,945)**
Total Retained Earnings, end of reporting period available for dividend		**P6,658,406,258**

BANK OF COMMERCE

RELATIONSHIP MAP
DECEMBER 31, 2025



*per Outstanding Common Shares
as of December 31, 2025

BANK OF COMMERCE

SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2025
(in thousands)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amounts Shown in the Statement of Financial Position	Value Based on Market Quotation at End of Reporting Period	Income Received and Accrued
Financial Assets at Fair Value through Profit of Loss				
Philippine government	**P4,659,357**	**P4,793,834**	**P4,793,834**	**P268,401**
Other government	**346,185**	**339,164**	**339,164**	**17,314**
Derivatives	**-**	**36,710**	**36,710**	**-**
		P5,169,708	**P5,169,708**	**P285,715**
Financial Assets at Fair Value through Other Comprehensive Income				
Philippine government	**P33,751,380**	**P34,793,434**	**P34,793,434**	**P1,516,713**
Equity securities	**159**	**224,877**	**224,877**	**2,661**
		P35,018,311	**P35,018,311**	**P1,519,374**
Investment Securities at Amortized Cost				
Philippine government	**P33,548,587**	**P34,187,597**	**P34,106,178**	**P1,574,877**
Other government	**5,291,100**	**5,287,582**	**5,287,308**	**180,871**
Private corporations	**1,804,970**	**1,895,896**	**1,806,596**	**67,861**
		P41,371,075	**P41,200,082**	**P1,823,609**

BANK OF COMMERCE

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2025

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Ending Balance
NONE TO REPORT							
Indebtedness arise in the ordinary course of business.							

BANK OF COMMERCE

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2025

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
NONE TO REPORT							
Financial statements are not for consolidation.							

BANK OF COMMERCE

SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2025

Type of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown under Caption "Current Portion of Long-Term Debt" in Related Balance Sheet	Amount Shown under Caption "Long-Term Debt" in Related Balance Sheet	Interest Rates	Amounts or Numbers of Periodic Installments	Maturity Dates
Bonds payable						
Bonds Payable – Fixed Rate Bonds	P10,006,850,000	P -	P9,952,138,980	6.1942%	Quarterly interest payment	February 19, 2027
Bonds Payable – Fixed Rate Bonds	7,993,150,000	P -	7,928,861,891	6.3494%	Quarterly interest payment	May 19, 2030

BANK OF COMMERCE

SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES) DECEMBER 31, 2025

Name of Related Parties	Balance at Beginning of Year	Balance at End of Year	Nature, Terms and Conditions
NONE TO REPORT			
No long term loans from related companies.			

BANK OF COMMERCE

SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2025

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount of Guaranteed and Outstanding	Amount Owned by Person of which Statement is Filed	Nature of Guarantee
NONE TO REPORT				
No securities were guaranteed.				

BANK OF COMMERCE

SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2025

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under the Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by Related Parties*	Directors, Officers and Employees	Others
Common shares	1,702,511,470	1,403,013,920	-	1,060,517,880	558,530	341,937,510
Preferred Shares	455,000,000	416,666,670	416,666,670	416,666,670	-	-

* Include shares held by Principal/Substantial Stockholders
Required information is disclosed in Note 24: Capital Stock

ANNEX C - REPORTS ON SEC FORM 17-C

	Date of Disclosure	Subject	Report or Cirular No.
1	January 28, 2025	Material Information - Bank of Commerce Launches ₱5 Billion Dual-Tranche Peso Bond Offering	C00499-2025
2	February 11, 2025	Material Information - Published Balance Sheet as of December 31, 2024	C00784-2025
3	February 19, 2025	Material Information - Bank of Commerce Lists Largest Bond Issue To-Date at P18 billion	C00934-2025
4	February 26, 2025	Change in Directors and/or Officers: Appointment of New Chief Audit Executive Appointment of Lead Independent Director	C01133-2025
5	March 26, 2025	Material Information - Approval of 2024 Audited Financial Statements	C01905-2025
6	March 26, 2025	Notice of Annual Stockholders' Meeting	C01906-2025
7	March 28, 2025	Material Information - BankCom sets milestone as it breaches P3B Net Income	C02043-2025
8	April 30, 2025	Change in Directors and/or Officers - Resignation of Chairman Francis Chua	C02885-2025
9	April 30, 2025	Change in External Auditor for the year 2025	C02911-2025
10	May 2, 2025	Material Information - BankCom kicks off 2025 with a double digit Net Income growth	C02976-2025
11	May 20, 2025	Material Information - Published Balance Sheet as of March 31, 2025	C03566-2025
12	May 27, 2025	Material Information - Declaration of Cash Dividends to Preferred Shares	C03741-2025
13	May 27, 2025	Results of Annual Stockholders' Meeting	C03752-2025
14	May 27, 2025	Results of the Organizational Meeting of the Board of Directors	C03753-2025
15	June 2, 2025	Material Information - BankCom board approves 79% dividend hike after record P3-B profit	C03908-2025
16	June 30, 2025	Change in Directors and/or Officers - Resignation of Independent Director Rebecca Maria A. Ynares	C04714-2025
17	July 30, 2025	Election of Independent Director Antonio S. Abacan Jr.	C05462-2025
18	August 13, 2025	Material Information - Published Balance Sheet as of June 30, 2025	C05944-2025
19	August 14, 2025	Material Information - BankCom Surges Ahead with 31% Profit Growth in 1H 2025	C06038-2025
20	September 23, 2025	Change in Directors and/or Officers - Resignation of Independent Director Mr. Daniel Gabriel M. Montecillo	C06769-2025
21	October 1, 2025	Change in Directors and/or Officers - Election of Independent Director Rafael G. Ayuste, Jr. and Changes in Board Committee Memberships	C06951-2025
22	November 10, 2025	BankCom 3Q25 profit jumps 24% on strength of core revenue expansion	C07837-2025
23	November 11, 2025	BankCom 3Q25 profit jumps 24% on strength of core revenue expansion- Amended	C07900-2025
24	November 11, 2025	BankCom Published Balance Sheet as of September 30, 2025	C07910-2025
25	November 11, 2025	BankCom Published Balance Sheet as of September 30, 2025 - Amended	C07916-2025

SUSTAINABILITY REPORT

CONTEXTUAL INFORMATION

Company Details	
Name of Organization	BANK OF COMMERCE (BankCom)
Location of Headquarters	San Miguel Properties Centre, 7 St. Francis Street, 1550 Mandaluyong City
Report Boundary: **Legal entities (e.g., subsidiaries) included in this report**	BankCom has no subsidiaries. *As such, this Report discloses the sustainability performance indicators limited to BankCom.*
Business Model, including Primary Activities, Brands, Products, and Services	An affiliate of San Miguel Corporation (SMC) since 2008, Bank of Commerce is a publicly-listed universal bank focused on helping its clients, communities and conglomerate partners by delivering the best choice of financial services harnessing the strengths of the SMC Group. Bank of Commerce traces its origins to the Overseas Bank of Manila which opened in Binondo, Manila in 1963. It is identified by its logo bearing the SMC symbols of escudo and cloverleaf, and by the trademark license short name "BankCom" granted by the Intellectual Property Office of the Philippines (IPOPHL) in 2020. In April 2025, the Bank filed with the IPOPHL its 5th Year Declaration of Actual Use for the trade mark “BankCom.” As of 31 December 2025, the Bank reported a new record net income of ₱3.54 billion, 17% higher than the ₱3.02 billion last year, and nearly double the ₱1.80 billion at end of IPO year. The full-year performance outpaced the previous year’s, highlighting steady growth in the bank’s core revenue streams, driven by net interest income and gains from trading and foreign exchange gains. This translated to a return on equity (ROE) and return on asset (ROA) of 10.14% and 1.28%, respectively. The Bank maintains a network of 142 branches (inclusive of the main office branch, 139 regular branches and 2 branch lites) and 278 Automated Teller Machines (ATMs) including Cash Kiosks strategically located nationwide as of 31 December 2025.
Reporting Period	January 1 to December 31, 2025
Reporting Frameworks	BankCom’s annual Sustainability Report is guided by: - The Securities and Exchange Commission (SEC) recommendations - The United Nations Sustainable Development Goals (UN SDGs) - Reference to the Global Reporting Initiative (GRI) Standards
Highest Ranking Person responsible for this report	Antonio S. Laquindanum, EVP & Chief Financial Officer

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MATERIALITY PROCESS

BankCom determined its material topics through a review of the banking industry's most significant impacts aligned with the realization of the Bank's Vision and Core Purpose. Along with a study of material topics in the financial industry, the Bank referenced international standards on sustainability reporting, publicly available methodologies of third-party rating providers, and local regulations, particularly the circulars issued by the Bangko Sentral ng Pilipinas (BSP) on Sustainable Finance and the implementation of the Environmental and Social Risk Management System (ESRMS). From there, the Bank considered which topics would be of interest and would likely affect its primary and secondary stakeholders. In addition, the Bank also considered the priority topics identified in the materiality analysis of its parent company, San Miguel Corporation.

This materiality process is managed by a cross-functional technical working group assigned to facilitate the Bank's ESRMS. As BankCom continues to improve its processes, enhance its policies and develop responsive products and services, its materiality process and topics will be reviewed and updated accordingly.

In 2024, BankCom engaged in a Sustainability Strategic Planning Session to discuss with BankCom's leadership the Bank's ESG priorities. During the said Session, five (5) focus areas were identified, as enumerated and defined below, together with a sustainability statement which ties them together: ***'Harnessing BankCom's strengths, we envision a nation where our clients, people, and communities thrive together.'*** The following year, the Bank's leadership convened another Strategic Planning Session, in which certain aspects were clarified, particularly on finance. Following are the 5 focus areas:

- Advancing Products Sustainably
  BankCom will offer comprehensive, customer-centric products with expanded coverage, driving competitiveness through integrated solutions and seamless services that elevate the customer experience.

- Resilient and Efficient Operations
  BankCom is committed to responsible and resilient operations, underpinned by strong corporate governance. The Bank will enhance operational efficiencies, assess its impact, and create an environment that benefits both the planet and its people.

- Responsible and Comprehensive Finance
  BankCom will expand its portfolio, develop new sustainable products, and increase investments that drive sustainable growth. This is further defined in terms of two strategic objectives:

  i. Through the leadership of our people and the support of our sponsor, we will drive responsible and comprehensive finance* aligned to our ambition to be an ESG ready unibank;

  ii. BankCom will expand its portfolio**, develop new sustainable products, and increase investments that drive sustainable growth;

  ** The scope of comprehensive finance will be untapped entities within SMC Ecosystem.*
  *** Refers to the core lending business.*

- Working Towards Digitalization
  BankCom will drive digital transformation by improving efficiencies, optimizing data, and enhancing cybersecurity, while streamlining digital solutions to ensure greater customer security and convenience.

- Championing People
  BankCom will strengthen employee engagement, implement effective succession planning, foster career development, and provide capacity-building initiatives that lead to an effective and resilient team.

Material Topics

BankCom identified the following material topics:

• Direct economic value generated to stakeholders • Products and Services Contribution to SDG • Diversity, Equal Opportunity and Anti-Discrimination • Employee Hiring and Benefits • Employee Training • Occupational Health and Safety • Community Involvement	• Customer Privacy • Consumer Financial Protection • Resource Consumption • Environmental Impact Management • Procurement Practices • Supply Chain Accreditation Policy • Business Ethics and Anti-Corruption • Climate Risk Management

ECONOMIC IMPACT

ECONOMIC PERFORMANCE

GRI 201-1, 201-2, 203-1, 203-2

As a universal bank, BankCom plays a vital role in driving economic growth by providing financial services across the country. The Bank has been instrumental to the viability and continued expansion of small and medium-sized enterprises, middle-market establishments, and large corporations across various sectors, including beverages, food, packaging, energy, fuel and oil, infrastructure, property development and leasing, cement, car distributorship, and related financial services.

BankCom enables Filipino individuals and businesses to achieve their financial goals to manage day-to-day transactional needs through a range of services, including deposit, consumer credit, and corporate lending, trade, investment banking, trust, treasury management and remittance facilities.

With a network of 142 branches – inclusive of the main branch, 139 regular branches, and 2 branch lite units – and 278 automated teller machines (ATMs) and cash kiosks, strategically located nationwide, as well as online banking channels. BankCom provides retail and institutional financial consumers with secure and efficient access to professionally designed and executed financial products.

Economic Impact and Financial Performance

Disclosure Requirements	2022	2023	2024	2025
	(in Php millions)			
Direct economic value generated (revenue)	**8,117**	**9,975**	**10,756**	**12,609**
Direct economic value distributed	**10,154**	**13,744**	**18,153**	**16,640**
Operating costs[1]	5,484	6,159	6,685	6,674
Employee wages and benefits[2]	1,905	2,258	2,621	3,037
Interest payments	1,283	3,466	4,053	4,539
Taxes paid / remitted to the government[3]	1,482	1,861	2,009	2,390
Community investments[4]	-	-	2,785	0.630
Economic value retained[5]	**(2,037)**	**(3,769)**	**(7,399)**	**(4,031)**

[1] This includes payment to suppliers and third-party service providers
[2] The 2024 computation includes salaries and wages amounting to ₱2,060,310,187.68 and employee benefits amounting to ₱560,447,418.27.
[3] Provision for income tax, license payments and real property tax
[4] Investments to community involve donations and corporate social responsibility engagements conducted in 2025
[5]Computed as direct economic value generated less direct economic value distributed

BankCom closed 2025 with an increase in gross revenue amounting to ₱12,609 million, a 17.2% increase from last year's ₱10,756 million. This is driven by the Bank's consistent identification of new ways to maintain significant and sustainable profitability and growth in its core business as well as trading and foreign exchange activities.

Further, the Bank's economic impact extends beyond traditional business-related contributions, reflecting its commitment to supporting the economy through implementing corporate social responsibility (CSR) initiatives and actively engaging with local suppliers, including small and medium enterprises.

For three straight years, BankCom has been recognized by the local government of Mandaluyong City as one of the city's leading taxpayers serving as key drivers of the city's sustained progress and economic resilience. Additionally, the Bank has continuously demonstrated its dedication to community engagement by providing financial assistance through CSR programs, sponsorships, and donations to schools, charities, and non-profit organizations.

The Bank actively explores new methods and ways to enhance shareholder value while ensuring sustainable profitability. BankCom's key strategies focus on strengthening core business income, optimizing cross-selling efforts, increasing participation in capital markets, innovating products and services, and developing the SMC ecosystem along with its affiliates to support loan expansion.

At the heart of BankCom's growth strategy are digitalization and automation, which are crucial for

navigating today's technological and financial landscape. The Bank's agenda includes increased investment in information technology and financial technology infrastructure to significantly enhance customer service and touchpoints. BankCom's IT roadmap includes the integration of cash kiosks with a more robust and efficient ATM network, expanding a more stable source of fee revenue streams. Moreover, the Bank is undertaking introductions and/or expansions of digital banking solutions, particularly on the BankCom [Personal] mobile app and web platform for retail users, and the BankCom [Business] platform for corporate users, ensuring accessibility and ease-of use for clients.

The Bank is relentlessly pursuing programs aimed at improving operational efficiency, expanding remittance partnerships to foster greater connectivity, strengthening branch and account management networks, and amplifying brand and product visibility in an increasingly competitive financial marketplace.

Beyond business pursuits, BankCom's CSR program has contributed to community development and environmental stewardship through events organized in partnership with the San Miguel Foundation and partner clients.

Key risks identified	Stakeholders affected	Management approach
Changes in financial consumer preferences, income level, and purchasing power; Increases and changes in applicable taxes, taxation laws, tax incentives; Fluctuations in foreign currency exchange rates and interbank interest rates (Fed and BSP); Increases and changes in BSP reserve requirement ratio (RRR), ceiling on credit card interest rate, fund transfer fees, and other service fees.	Employees Customers Shareholders Government Community	BankCom maintains a strong risk management framework to identify, assess, and mitigate financial risks that may impact its core businesses. The Bank's Risk Management Manual embodies this framework, outlining specific guidelines and processes on risk management. These are integrated into the operating policies of relevant units and undergo regular review by a designated Risk Management Officer. Additionally, BankCom formulates an annual Risk Appetite Statement to guide decision-making across various transactions. The Bank provides a monthly report to the Board Risk Oversight Committee (BROC) and the Board of Directors (BOD) which covers BankCom's current exposure across various risk types, including financial risk, credit, market, liquidity, operational, and information technology risks. Based on this information, the BROC and BOD make decisions regarding additional controls needed to effectively manage these risks.
Climate change risks in BankCom's operations and value chain may result in increased costs due to physical risks and reduced revenue due to legal, technology, market, and reputation risks.	Employees Customers Shareholders Community	Climate change risks likewise form part of BankCom's overall risk management framework through the ESRMS. This is outlined in the Climate-related Risks and Opportunities section of this report. BankCom implements a Compliance Program to ensure that any risk associated with non-compliance to laws and regulations, and business ethics are mitigated. It is implemented using a three-pronged approach: self-assessment by business units, independent compliance testing conducted by the Compliance Division, and validation by Internal Audit Division. BankCom's compliance policies and programs are overseen at the high-level by the Board and its Board-level committees. The Corporate Governance Committee (CGCOM) ensures due observance of corporate governance principles and guidelines across the Bank. Along with the Anti-Money Laundering (AML) Committee, they are tasked to oversee the effective implementation of the Bank's compliance with money laundering, proliferation financing and terrorist financing prevention program and policies. On the other hand, the BankCom's Related Party Transactions committee ensures that transactions with related parties are conducted at arm's length thereby ensuring instances of conflicts of interest are mitigated.
Failure of controls to identify and mitigate business ethics issues such as improper accounting practices, money laundering, bribery, aggressive and/or mis-selling of financial products and services may result in significant financial impact, not to mention long-term reputational damages.	Government Shareholders	

CLIMATE-RELATED RISKS AND OPPORTUNITIES

Governance

The role of governance bodies and senior management in assessing and managing climate-related risks and opportunities is captured in the Bank's Environmental and Social Risk Management Framework, embedded in the Bank's ESG and Sustainability Framework Manual ("ESG Manual").

- The **Board of Directors (BOD)** determines the overarching direction, implementation, and strategies of the Bank on sustainability. The Board leads the Bank's adoption of sustainability principles through incorporating them into the corporate governance framework as well as in the Bank's strategic objectives and operations, risk strategy, risk appetite and risk management policies and procedures. The Board approves BankCom's ESRMS, keeps track of its progress in meeting its environmental and social (E&S) strategic objectives and targets, and ensures that issues and challenges are addressed.

- Two Board-level bodies, the **Corporate Governance Committee (CGCOM)** and the **Board Risk Oversight Committee**, oversee BankCom's implementation of ESG regulations issued by the Securities and Exchange Commission (SEC) and the BSP. The CGCOM ensures that sustainability principles are integrated in the corporate governance framework, strategies, and operations of the Bank. One of the duties of the CGCOM is to oversee the reporting and disclosure of ESG information. This covers adherence with existing regulations and obligations toward stakeholders. The BROC, on the other hand, oversees the Bank's adherence to the risk appetite statement, risk policy, and ESG-related risk limits.

- The **Senior Executive Team (SET)** is responsible for managing the execution of the Board-approved strategies and policies in relation to BankCom's sustainability objectives. They ensure that BankCom's activities are aligned with the overall E&S strategic objectives and target and that methodologies and tools that will effectively identify, quantify/measure, monitor and control E&S risks are adopted.

- The **ESG Project Team**, led by the Chief Risk Officer, Chief Compliance Officer, and the Corporate Communications and Consumer Protection Division Head, executes the approved direction and strategies as well as facilitates the adoption of tools to identify and assess E&S risks in relevant business units and oversee the formulation, approval, and implementation of policies, procedures, and processes to monitor and control identified E&S risks. The designated members apprise the BOD, CGCOM, and BROC on the Bank's exposures on E&S risks and status of implementation of the Bank's sustainability program.

- **Management-level Committees and Process Owners** integrate E&S risks into the relevant risk management frameworks, operating policies, and procedure manuals, conducting proper identification, assessment, monitoring and mitigation of E&S risks.

- **The Internal Audit Division and Compliance Division** are responsible for assessing the Bank's adherence to policies related to managing E&S risks and evaluating the effectiveness and relevance of said policies.

Strategy

BankCom is aware that environmental concerns and climate change could seriously jeopardize the long- term viability of its core businesses and financial stability. First, there is a chance that the company could suffer financial losses as a result of structural damage brought on by earthquakes, flooding, and other extreme weather events. Second, when climate, environmental, or social risk impacts borrowers and/or their collateral, the lending institution's financial stability is put at risk.

BankCom is cognizant that environmental risks translate to financial risks, as both physical and transition risks affect businesses, households and the economy. This will ultimately affect BankCom's level of exposure to financial, operational, and other types of risks.

Risk	
Acute Physical	Damage to property and assets arising from increased severity of extreme weather events
Chronic Physical	Changes in precipitation patterns and extreme variability in weather patterns, as well as rising mean temperatures and sea levels, which affect operations and

	facilities, resulting in loss/lower value of certain assets and that of our clients
Technology	Cost requirements to transition to lower carbon operations
Policy and Legal	Energy transition policies such as carbon tax, and enhanced disclosure requirements on emissions
Market	Shifting sentiment for high carbon companies, and increased cost of input materials which can affect borrowers
Reputation	Negative stakeholder feedback and/or increased investor concern/oversight

Opportunities	
Resource efficiency	Reduction of energy consumption
Energy Source	Use of green/low carbon sources resulting in energy efficiency and cost savings
Product and Services	Development of green products and services that cater to shifting consumer preferences and support sustainability initiatives of corporate clients

At the strategic level, both physical and transition risks are included in the formulation of BankCom's Risk Appetite Statement. It guides the decision making on various transactions of the Bank for each type of risk—credit, market, liquidity, operational, reputation, information technology. Further, climate considerations form part of the methodology of the stress testing activity under the internal capital adequacy assessment process (ICAAP). Credit stress test scenarios were applied to the high-risk industries in the Bank's portfolio that are particularly vulnerable to ESG factors such as climate change, social concerns and governance or reputational issues.

ICAAP: ESG-Related Stress Test

Credit stress test scenarios were applied to the high-risk industries in the Bank's portfolio that are particularly vulnerable to ESG factors such as climate change, social concerns and governance issues. The following industries were identified to have material risks in terms of portfolio size and ESG factors.

- **Agriculture:** The agriculture sector is vulnerable to environmental risks including extreme weather events, water scarcity and soil degradation. Severe climate events can negatively impact the production of agricultural crops leading to lower revenue and increase in credit losses.

- **Mining**: The mining industry in the Philippines is a significant producer of minerals and it is highly exposed to environmental risks (soil erosion, deforestation) as well as social risks (displacements of local communities, loss of livelihood, health risks, etc.). ESG risks could lead to regulatory fines and disrupt operations, which can negatively impact cash flow and increase credit losses.

- **Manufacturing:** The manufacturing industry contributes significantly to the economy. However, it is linked to environmental risks such as air and water pollution as well as social risks associated with labor abuses and poor working condition.

- **Energy and Utilities**: This sector could be heavily impacted by environmental factors, such as severe climate change, air pollution and water supply.

- **Real Estate:** The real estate sector is exposed to environmental risks and social risks related to displacement and access to affordable housing.

- **Transportation and Storage:** As economies transition to a low-carbon future, the transportation sector faces a wide range of transition risks[1]. These might range from rising policy pressures to the phase-out of traditional carbon-intensive vehicles through the implementation of carbon prices and a shift in consumer preferences. Technological advancements in electric vehicles (EVs) and alternative fuels will also have a substantial impact on traditional firms in the sector. Along with transition risks, the transportation sector will also be exposed to physical risks as the impacts of climate change intensify. These physical risks, which include severe storms and flooding, sea level rise, and droughts, can impact the supply chains and operations of the sector.

[1] United Nations Environment Programme (2024). Climate Risks in the Transportation Sector. Geneva. Retrieved from https://www.unepfi.org/wordpress/wp-content/uploads/2024/05/Climate-Risks-in-the-Transportation-Sector.pdf (accessed 16 February 2025)

Risk Management

The BSP has released a series of policies aimed at strengthening climate risk management of BSP-supervised financial institutions (BSFIs). In 2020, BSP issued Circular No. 1085 on the Sustainable Finance Framework. The Circular sets out the BSP's expectations on the integration of sustainability principles in the corporate governance and risk management frameworks and the strategic objectives and operations of banks. This was followed by Circular No. 1128 which provides specific guidance on how to integrate E&S Risk Management in the operational risk management and credit risk management of banks. BSP also issued Circular No. 1149 outlining the expectations on the integration of sustainability principles in the investment activities of banks.

Additional regulatory policies have been issued by BSP such as Circular No. 1187 in February 2024, which introduces the adoption of the Philippine Sustainable Finance Taxonomy (SFTG) for banks. This was followed by a series of Memorandums clarifying key aspects of the Taxonomy, as follows:

- BSP Memorandum M-2024-028 re "Frequently Asked Questions on the Financing of Excluded Activities and Coal-Fired Power Plant Projects"
- BSP Memorandum M-2024-035 re "User Guide for Circular No. 1187 on the Adoption of the Philippine Sustainable Finance Taxonomy Guidelines"
- BSP Memorandum M-2025-025 re "Philippine Sustainable Finance Taxonomy Guidelines Frequently Asked Questions Series 1.2"
- BSP Memorandum M-2025-033 re "Philippine Sustainable Finance Taxonomy Guidelines: Sample Climate Adaptation-related Projects and Activities"

BankCom complies with the requirements of the BSP and has instituted an ESRMS. Through this, the identification, assessment, and management of climate risks are integrated in BankCom's credit risk and operational risk management system.

For its own operations, BankCom conducts physical hazard assessments in its branch site selection and monitoring and conducts the implementation of a supplier sustainability questionnaire (SSQ) to identify and understand sustainability risks in the supply chain. BankCom also regularly assesses and monitors climate risks through its Risk and Control Self-Assessment (RCSA) and Business Impact Analysis (BIA) Processes.

Physical risks from climate change are considered in the Bank's Business Continuity Plan. BankCom has a Business Continuity Management (BCM) Committee headed by the Branch Banking Group Head and composed of SET members, other senior executives, managers, and employees in critical positions. The BCM Committee provides direction and decision-making on proposals for new or amended business continuity facilities and policies, disaster recovery (DR) testing activities, and IT infrastructure requirements.

On the impact of climate change on the Bank's lending portfolio, BankCom has already integrated ESG/climate consideration in the credit process through the updating of forms used in credit evaluation to identify, assess, measure and monitor ESG/climate risks. BankCom is also requiring its borrowers, whose projects have material environmental impact, to provide a copy of the Environmental Clearance Certificate (ECC) as one of the requirements to secure a loan facility.

BankCom has started to identify which industries in its credit portfolio have an increased risk of climate change impacts. The portfolio exposures to high-emitting sectors are disclosed in its Annual Report.

BankCom's ESG Project Team monitors existing and emerging regulatory requirements as well as conducts reviews of best practices and industry trends and regular stakeholder engagement to monitor emerging E&S risks. The results of these monitoring activities are reported to the BOD and/or relevant Board committees.

Metrics and Targets

BankCom has set a 30% limit to funding non-renewable energy sources (in Peso amount) that is aligned with the Department of Energy projections under a Clean Energy Scenario. Since 2023, the

Bank measures the CO2 equivalent of its Scope 1 and 2 greenhouse gas emissions *(See Environmental Impact Management section for more information)*. The Bank is preparing a climate change strategy starting with the collection of baseline data on the aggregate emissions and emissions intensity of its operations and value chain and the conduct of climate risk assessments.

PROCUREMENT PRACTICES

Proportion of spending on local suppliers

Percentage of procurement budget used for significant locations of operations spent on local suppliers	2022	2023	2024	2025
(a) Construction	67%	43%	59%	55%
(b) Consumables	100%	100%	100%	100%

Percentage of local* suppliers that underwent the accreditation process in 2025	96.89%**

**Philippine-based*
***A number of renewal applicants were unable to complete the process within the year due to isolated case-to-case issues.*

BankCom recognizes the importance of suppliers in the success of its operations. BankCom's branches operate in strategic locations nationwide. In order to ensure the safety and convenience of its customers, proper, timely and cost-effective maintenance of these facilities is essential. This requires a dependable source of construction services and materials that meet the Bank's standards and criteria.

Moreover, in the course of fulfilling over-the-counter transactions at these branches, certain consumables need to be constantly replenished, such as account opening forms, transaction media, passbooks, and checkbooks. Particularly for materials which have stringent security requirements, such as checks, these require sourcing from local suppliers which are already accredited within the banking industry.

The Bank procures majority of its consumables from local businesses, contributing to the economy in areas where BankCom operates. BankCom acknowledges that procurement from local suppliers also helps support the environment through lower carbon footprint resulting from lower transportation costs, compared to procuring goods and services from foreign sources.

Among its local or Philippine-based suppliers, 96.89% underwent BankCom's accreditation process in 2025. *(For more information, refer to Supply Chain Management section.)*

BankCom continues to explore qualified local contractors and third-party service providers who have a track record with other banks or banking associations, and which can meet the Bank's requirements according to its standards. Further, the implementation of an ESRMS covering the operations of the Bank created the opportunity to ensure sustainability considerations are extended to the Bank's supply chain, covering the suppliers' human rights, labor, and environmental management, among others, along with the sustainability elements of the products they offer. BankCom continues to explore qualified local contractors and third-party service providers who have a track record with other banks or banking associations, and which can meet the Bank's requirements according to its standards.

Key risks identified	Stakeholders affected	Management approach
While local procurement mitigates certain risks compared to foreign sourcing, BankCom may still be exposed to certain risks that may affect the effectiveness and quality of the supply chain. Any material deviation from policies and processes in supplier selection, negotiation, and delivery of materials and services concerned may severely affect BankCom's reputation and profits. Such could be the result of fraud and corruption, lack of fairness and transparency in third-party dealing, or lack of capacity to select and manage contracts. For example, the use of substandard materials and contractors or service providers with documentary deficiency (e.g., updated licenses) or known history of poor performance will negatively impact workmanship and actual cost, timeliness and quality of deliverables, and the Bank's reputation / compliance. These may affect the safety of BankCom's customers and employees, assessment of investors and stock analysts, and the image of its brand. In addition, failure to meet quality standards may result in requiring rework which entails additional time and cost. This may result in customer dissatisfaction, an increase in customer complaints, and potential negative publicity. In turn, this may result in customer attrition.	Suppliers Communities	BankCom has an established procurement process as well as an accreditation process for new suppliers. This ensures that the sourcing of services and materials is fair, cost-effective, and consistent with standards for quality and track record. A Bids and Awards Committee (BAC) executes the Bank's standards and policies on vendor accreditation and selection. BankCom's procurement and evaluation process for third party service providers, including the approval process, are documented in operating manuals and desk manuals which are reviewed regularly and updated accordingly. For example, proposals for branch repairs, renovations, and relocations are presented to the SET for approval. This includes a comparison of cost estimates submitted by candidates and remarks about previous engagements with them. Depending on the total cost, the proposal may be endorsed further to the BOD for approval. Another example is that every year, third party service providers are subject to a performance evaluation conducted by the concerned business or support unit. The results of the performance evaluation are used in making decisions when new requests for materials or services are submitted for canvassing. Moreover, suppliers and employees are expected to abide by BankCom's policy on solicitation or acceptance of gifts, favors and entertainment, including sponsoring of non-company activities and events.

ANTI-CORRUPTION

GRI 205-1, 205-2, 205-3, 206-1, 415-1

BankCom believes that banking is a public trust. BankCom, as a financial institution, places the interests of its customers and the public at the forefront of its existence. It firmly believes that maintaining public trust necessitates unwavering integrity, proven expertise, and dedicated effort. BankCom's core values revolve around enhancing the lives of its stakeholders, keeping their trust, striving for excellence, while ensuring prudence. BankCom does not tolerate bribery and corruption and is seriously committed to prevent money laundering, terrorist financing and proliferation financing. The Bank upholds the highest moral standards in the way it conducts business and makes sure it does not become a channel for illicit funds or a victim of money laundering. The Bank's policy commitments are backed by strong risk management and compliance programs against such unethical and illegal activities. These topics are a key focus of the Bank's corporate governance, risk management, compliance and human resource management programs.

Training on anti-corruption policies and procedures

Disclosure Requirements	2022	2023	2024	2025
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to[1]	1,920 (100%)	1,976 (100%)	2,034 (100%)	2,113 (100%)
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to[2]	100%	100%	100%	100%
Percentage of directors and management that have received anti-corruption training	18 SET, 15 BOD (100%)	18 SET, 15 BOD (100%)	15 BOD, 5 Advisors, 20 SET (100%)	15 BOD, 5 Advisors, 19 SET (100%)
Percentage of employees that have received anti-corruption training	1,920 (100%)	1,976 (100%)	2,034 (100%)	2,113 (100%)

[1]Included in the New Employees' Orientation (NEO) as part of the Human Resources (HR) Module for Code of Discipline and Annual e-Learning Refresher Course for Anti-Money Laundering

[2]Policy is required to be signed by all existing/active suppliers and service providers - Part of the accreditation requirement is signing of bank form "Exhibit No. 2 BankCom Policy on Solicitation and Acceptance of Gifts."

The Bank continues to promote awareness and accountability on anti-corruption and anti-bribery through its E-Learning Training Program and New Employees Orientation (NEO) for employees, and Corporate Governance training for the BOD and SET.

Elements of anti-corruption or anti-bribery e.g., on conflict of interest, are included in the Bank's current training programs delving on anti-money laundering, financial consumer protection, and corporate governance. These are included in training courses on Corporate Governance, Anti-Money Laundering (AML), NEO, and those intended for branch officers and staff members. Training on AML is implemented bank-wide and on a regular basis. Employees are required to reach a minimum score of 80% to pass.

The Bank's Compliance Division, in partnership with HRMDD, constantly enhances the Bank's training program to equip BankCom personnel with appropriate knowledge to achieve the Bank's goal of promoting effective implementation of the AML/CFT policies and procedures in the entire organization.

Incidents of corruption

Disclosure Requirements	2022	2023	2024	2025
Number of incidents in which directors were removed or disciplined for corruption	0	0	0	0
Number of incidents in which employees were dismissed or disciplined for corruption	0	0	0	0
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	0	0	0

Bribery and corruption have an adverse effect on the stability and legitimacy of financial institutions, translating to adverse impacts to the economy and society. Serious misconduct and unethical practices could lead to long-term reputational damage due to loss of confidence of stakeholders, particularly regulators, clients, and employees, in the Bank. BankCom has zero tolerance for solicitation and acceptance, directly or indirectly, of any gift, gratuity, commission or any form of payment from clients, business partners, suppliers and third-party service providers in connection with the Bank's leaders or employees' decision making in exchange of unnecessary favorable treatment.

In 2025, there are **no monetary losses** resulting from corrupt practices brought by any entities against BankCom. Similarly, there are no cases arising from termination of contracts due to corruption.

Key risks identified	Stakeholders affected	Management approach
Corruption can occur during interactions or transactions between the Bank's employees and the parties they deal with, such as when securing decisions from government officials, clients, procurement, or hiring. Charitable and political donations and receiving and accepting gifts and entertainment can also be construed as bribery and corruption when proper procedures and designed limits are not followed. Conflicts of interest can occur in situations when self-serving interests by individuals become a factor in their professional actions and decisions. This could include providing preferences to personal connections in hiring and procurement or exploiting their position or authority for personal gain such as self-dealing and distribution of non-public information.	Shareholders Depositors Customers Employees Government	The Bank has various policies in place to ensure that its actions and decisions comply with high standards of integrity and follow ethical and legal approaches. • **Trust Investment Guidelines** for BankCom employees, including portfolio managers and traders, cover instances of processing transactions belonging to the employee, relatives and related entities. BankCom employees are prohibited to use Bank proprietary information and other non-public information to advance their own interest. • **Related Party Transactions Policy** ensuring that certain transactions involving Related Parties, which present a heightened risk of conflicts of interest or the perception thereof, are entered into on arm's length bases and are consistent with the Bank's and its stakeholders' best interests. • **Policy on interlocking positions and secondment of Director and Officers** • **Code of Professional and Ethical Standards for Treasury Personnel** covering responsible marketing and sales, insider trading, fair dealing, disclosure of conflicts of interest, among others. • **Policy on solicitation or acceptance of gifts** prohibit soliciting and accepting gifts, favors and entertainment, including sponsoring of non- company activities and events. • The Bank's **Code of Conduct** reiterates that employees should exercise responsible and ethical business practices, including avoiding conflict of interest. New employees are required to acknowledge the Code of Conduct during onboarding. The Bank regularly reviews its policies, updates them whenever necessary, and communicates them to all its officers and employees through regular advisories and an annual training program.

Key risks identified	Stakeholders affected	Management approach
Money laundering, terrorism financing, and proliferation financing can occur when there is an ill-intent from individuals or entities to process monetary proceeds or accounts obtained from illegal sources and/or failure of processes to prevent and to detect their use, or attempted use, for money laundering or terrorist financing purposes or funds or financial services which are used for the proliferation of weapons of mass destruction.	Shareholders Depositors Customers Employees Government	The Bank has a **Whistleblowing Policy** that enables the protection of "whistleblowers" and conduct of due process in case of reports by employees and third parties on the commission of fraud, criminal offenses, corruption and bribery, serious danger, disregard of Bank policy, or deliberate concealment of the foregoing, by an employee or unit of the Bank. The Bank provides confidential channels for reporting persons and has a policy against reprisal or retaliation. To prevent the risk from AML, the Bank has a **Money Laundering and Terrorist Financing Prevention Program (MTPP)** that ensures compliance with the Anti- Money Laundering law, rules, and regulations that is approved by its Board of Directors. It is regularly updated or as need arises to reflect the constantly evolving regulations, the emerging money laundering/terrorist financing risks, and global best practices. The Corporate Governance Committee, a board-level committee, receives monthly reports on AML compliance and monitoring from the Anti-Money Laundering Management Department (AMLMD) of the Compliance Division. AML concerns are escalated to the AML Committee, a management group whose main duty is to oversee the Bank's effective and correct compliance with relevant laws and the Bank's MTPP. The AML Committee, which consists of representatives from Compliance Division, Risk Management Division, Operations Group, Treasury Group, Trust Services Group, Legal Services Group and Branch Banking Group, meets monthly or more frequently as needed. The AMLMD is in charge of ensuring that the Bank's MTPP is implemented correctly and efficiently. This involves using a risk-based approach to implement customer due diligence policies and procedures, record retention policies, a system for promptly capturing and reporting covered transactions, investigating suspicious alerts and reporting as necessary upon approval of the AML Committee, and creating and conducting regular and special training to Bank personnel. In addition, the Compliance Division of the Bank also conducts independent testing of branches and head office units, and is able to identify the segment in the operational process where money laundering, proliferation financing and terrorist financing risks are higher. The Bank's policies, processes, and procedures on preventing financial crime are outlined in the Bank's Wolfsberg Questionnaire available on the BankCom website.

Whistleblowing

BankCom builds a transparent, open and accountable work environment where employees are provided with the Guidelines on Whistleblowing. This manual is the formal mechanism for employees and third parties to report issues concerning integrity, human rights and labor rights, such us discriminatory acts, which shall protect employees from reprisal or retaliatory action, as well as to not be subjected to disciplinary actions.

ENVIRONMENTAL IMPACT

RESOURCE MANAGEMENT

Energy Consumption within the organization

Electricity Consumption	2022	2023	2024	2025
Total electricity consumption (in kwh)	**6,162,541**	**5,429,641**	**5,739,031**	**4,570,707.55**
Head Office	1,600,987	1,648,431	1,702,042	1,650,909
Manila TAT Building	499,314	472,232	501,040	460,480
Branches	4,062,240	3,308,978	3,535,949	2,459,318.55
Electricity use intensity (kwh/employee)	**3,304.31**	**2,747.79**	**2,821.55**	**2,163.14**

Energy Saving	2022	2023	2024	2025
Percentage of LED, CFL, and other energy-saving lamps to total electric lighting devices				
Head Office	LED (20%); CFL (80%)	LED (30%); CFL (70%)	LED (90%); CFL (10%)	LED (100%); CFL (0%)
Manila TAT Building	LED (10%); CFL (90%)	LED (10%); CFL (90%)	LED (100%); CFL (0%)	LED (100%); CFL (0%)

Fuel Consumption	2022	2023	2024	2025[3]
Total fuel consumption (in liters)	**28,420.25**	**182,942.57**	**336,690.29**	**445,761.14**
Head Office	17,871.45	8,627.72	140,441.00[2]	241,956.88
Manila TAT Building	2,300.00	750.00	550.00	485.00
Branches[1]	8,248.80	173,564.85	195,699.29	209,319.26

[1]2024 data is based on sample data with averages applied across branches.
[2]Large difference is due to increase in number of samples in 2024
[3]2025 data are actual consumption instead of sample

BankCom's direct environmental impact is through its business operations, primarily in the resources consumed for the effective functioning of offices, branches, data centers, and other information technology and physical facilities. BankCom uses grid electricity to power its facilities and uses fuel for bank-assigned cars used for official business activities (i.e., motor pool) as well as for the regular testing / maintenance of generator sets and use during power interruptions.

Despite improvements in increasing clean energy capacity, the Philippines' source for energy generation is still mainly coal but actively capitalizes on its renewable energy (RE) sources like wind, geothermal, solar and hydro, alongside natural gas as transition fuel to support integration of RE.[2] The burning of fossil fuels results in greenhouse gas emissions that directly contribute to worsening global warming. The Bank aims to manage its environmental impacts by identifying and pursuing ways to reduce operational carbon footprint through instituting resource management policies, evaluating the use of green technologies, and participating in activities to create positive environmental impacts. In 2025, the Bank saw a decrease in the generator sets (gensets)' energy consumption in both the Head Office and Manila TAT Building. This is likely due to the transition to energy-saving activities by the Bank. Further, the increase of Head Office consumption in 2025 is due to the methodology used, reflecting the total fuel consumption for both diesel and gasoline.

One of the opportunities BankCom is looking at is shifting to energy-efficient technologies and/or renewable energy, which can have benefits for the organization such as lower energy costs and improved operational efficiency, differentiation from competition and attracting and retaining environmentally conscious customers and employees. The Bank is currently reviewing suggestions for streamlining different branch and transaction banking operations, through the Operations Committee, which may result in better management of working hours and physical facilities.

The Bank sees the adoption of modern technologies and energy-saving architectural designs for branch and head office operations. These include replacing desktops and old servers with more efficient laptops

[2] Based on the latest Philippine Energy Plan (https://doe.gov.ph/articles/group/plans-2?category=Energy%20Policy%20and%20Planning&display_type=Card)

and IT hardware, and hard phones with virtual IP phones; designing branches with LED fixtures, right-sized air-conditioning systems, and readiness for possible installation of net metering systems in the future.

Similarly, ESG education for employees has been part of the new employee orientation since 2023. The ESG team has developed communication materials and infographics to encourage employees to be more conscious in using resources. The ESG team, together with the Operations Group, will explore applicable solutions and best practice recommendations to further improve sustainability in its own operations.

Key risks identified	Stakeholders affected	Management approach
As the government's policy gradually shifts towards promoting the use of energy-efficient technologies and boosting renewable energy use, BankCom may be affected in the following ways: • Higher energy costs due to the use of outdated and inefficient technologies • Reputational risk when benchmarked with other organizations with more pronounced sustainability initiatives within their operations • Regulatory penalties for failing to comply with potential environmental regulations promoting low-carbon operations	Regulators Employees Management	BankCom is mindful of its usage and looks for ways to reduce energy consumption. The Bank's General Services Division (GSD), which is part of the Operations Group, monitors the energy consumption of the Bank's physical facilities. The ESG Project Team works with GSD to come up with recommendations on how to manage energy consumption, e.g., shifting to LED lights, solar panels, and similar devices, and ultimately, to contribute to the achievement of the National Government's goals on energy. As early as 2005, BankCom had already issued a policy on cost management. The policy prescribes specific measures to manage the usage of the lighting system, air-conditioning system, electric fans and office appliances, and water conservation. The ESG Project Team has initiated the expansion of this policy into a more comprehensive framework on conceptualizing and classifying projects which fulfill the sustainability strategic objectives under the Bank's Sustainability Strategic Plan approved in 2024. The Bank also conducts regular preventive maintenance of generator sets and Bank-assigned vehicles. The Bank also continues to utilize online platforms to conduct meetings and webinars, which contributes to the reduction of fuel consumption for travel.

Water Consumption

Disclosure Requirements	2022	2023	2024	2025
Total water consumption (in m^3)	**23,733.40**	**25,992.89**	**25,136.00**	**22,610.67**
(a) Head Office	7,206.00	8,685.00	10,433.00	11,482.00
(b) Manila TAT Building	2,533.00	763.00	1,434.00	1,804.00
(c) Branches	13,993.40	16,544.89	13,269.00	9,324.67
Water intensity (m^3/employee)	**12.72**	**13.15**	**12.36**	**10.70**

Water is used in BankCom's premises primarily to ensure cleanliness and upkeep of the facilities and maintain sanitation and hygiene for the health and safety of employees and customers. BankCom is committed to ensure that uninterrupted and clean water supply is available in its Head Office and Branches, while at the same time ensure water use is kept to a reasonable volume so as not to create water stress in the areas where it operates.

The continuing risk of a water shortage gives justification to the plans of the installation of water-saving fixtures, such as self-closing faucets. Water conservation continues to be a part of the agenda for designing and constructing new branches and other physical facilities with water connection.

Key risks identified	Stakeholders affected	Management approach
Since banking is not a water-intensive business, the main risk for BankCom is the possibility of water unavailability or shortages particularly in water-stressed regions where it operates, which will impact the health and safety of its employees. This risk may be exacerbated by effects of climate change, such as drought and damage to water sources from extreme weather events and flooding, as well as increased demand from growing populations and economic facilities. This risk may result in additional financial costs as well as the inability to deliver access to clean and safe water, a basic human right.	Employees	Water conservation has been on the management's agenda since 2005. An operations memorandum is in place which prescribes measures alongside other initiatives. These measures include immediately reporting to the building maintenance or GSD any faucet and other water fixtures found to be defective. Reminders on water conservation are also placed in washrooms and pantries with water facilities. The Bank's Operations Group will continue to make concerted efforts to identify and launch projects to manage water consumption of its branches and head office. This will include selecting building contractors with a good track record in terms of the durability and appropriateness of materials used for installing the water connection, plumbing, and water fixtures in branches and head office facilities. To better control the Bank's water use, the ESG Project Team will investigate appropriate solutions and best practice recommendations in collaboration with the Operations Group.

Circularity

Materials used by the organization (Paper)

Weight of Paper (kg)	2022	2023	2024	2025
Paper Consumption (bond, computer papers, folders, etc)	36,060	22,950	N/A	27,372
Paper intensity (kg/employee)	19.33	11.61	N/A	12.95

BankCom uses paper for communication with customers, issuance of statements of account, as well as for the management of internal documents such as account statements, loan agreements, and other legal documents required to be retained by the Bank. However, given the current technological landscape, automation and digitalization are at the core of the innovations that the Bank is currently implementing, and these activities are expected to decrease the need for paper in the future.

While paper use is inherent for banks, continued improvements in digital banking offers opportunities to reduce the need for paper through digitization and automation. BankCom continues to enhance its existing electronic banking delivery channels such the BankCom [Personal] mobile app and BankCom [Business] to reduce client paper requirements.

Key risks identified	Stakeholders affected	Management approach
Paper production is associated with environmental impacts such as water stress, greenhouse emissions, and forest degradation. As BankCom commits to reducing environmental impact, measures are undertaken to limit paper consumption and paper waste.	Communities	BankCom continues its programs to reduce the need for paper. One example is the decision to replace paper brochures in the branches with QR-based, PDF versions which can be downloaded from the Bank's website. The Bank is also utilizing electronic statement in lieu of paper statements for trust management clients and credit card customers. Everyone is encouraged to use collaborative workspaces for business purposes, including general document review and approval, to minimize the amount of paper used internally.

ENVIRONMENTAL IMPACT MANAGEMENT

GHG Emissions

Disclosure Requirements	2023	2024	2025
Direct (Scope 1) GHG Emissions (in MT CO2e)	441.95	1,089.69	1,365.37
Energy indirect (Scope 2) GHG Emissions (In MT CO2e)	3,887.73	4,109.50	5,523.48
Emissions intensity (MT CO2e/employee)	2.19	2.56	2.65

In 2023, BankCom started to calculate its greenhouse gas emissions from within its own operations. The Bank's emissions arise from the use of diesel and gasoline for bank-issued vehicles and the purchase of grid electricity. Increased levels of GHG emissions emitted from the burning of fossil fuels contributes to the worsening of changes in the climate, translating to substantial negative impacts, losses and damages.

As discussed under Energy Consumption, opportunities arising from implementing low-carbon technologies include lower energy costs and improved operational efficiency, ability to differentiate itself from competition, and attract and retain environmentally conscious customers and employees. As a financial intermediary, there is an opportunity to tap into a market of consumers/corporate clients who wish to transition to energy-efficient and renewable energy technologies.

Key risks identified	Stakeholders affected	Management approach
The risks from GHG emissions are linked to climate change risks ***(See Section on Climate-related Risks and Opportunities – Strategy)***. The risk to the Bank's own operations include policy and regulatory changes (i.e., pricing of emissions and additional climate reduction / transparency requirements), reputation (i.e., climate controversies), and physical risks (i.e., damage to assets, disruption of operations due to extreme weather events).	Management Shareholders Customers Communities Regulators	As part of BankCom's climate risk management, the ESG Project Team, together with the Operations Group, monitors the emissions coming from the Bank's own operations. It is also in charge of preparing a strategy for integrating sustainability in the Bank's own operations, including the mechanism to reduce energy use and transition to low-carbon technologies. BankCom also conducts physical hazard assessments in its branch site selection and monitoring. The Bank also regularly assesses and monitors climate risks through its Risk and Control Self-Assessment (RCSA) and Business Impact Analysis (BIA) Process

SOCIAL IMPACT

EMPLOYEE MANAGEMENT

GRI 401-1, 2-7, 2-8, 2-9, 401-2, 401-3, 405-2

To ensure that BankCom operates at an optimum level and delivers outstanding performance, there is a need for talented and highly skilled individuals with a strong work ethic and professionalism as well as skills in client relations, strategy, communication and critical thinking. Beyond attracting the right individuals, it is also critical to sustain the Bank's capacity to operate and perform at a high level through cultivating and retaining committed and loyal employees.

It is in this context that a key focus of the sustainability program of BankCom is human capital development. BankCom is committed to investing in its human resources and constantly assessing and improving every step of the employee life cycle process (talent recruitment, onboarding, engagement, development and training, and retention). A key factor particularly in recruitment, engagement, and retention is the quality and competitiveness of the Bank's benefits program. BankCom offers its employees a comprehensive remuneration and benefits package that is regularly reviewed to ensure competitiveness with the industry.

BankCom's Workforce

Disclosure Requirements	2022	2023	2024	2025
Attrition Rate[1]	**17.28%**	**15.73%**	**15.39%**	**13.76%**
Total Number of Employees	**1,865**	**1,976**	**2,034**	**2,113**
By Age Group				
Under 30 years old	-	-	612	598
30 – 50 years old	-	-	1,070	1,145
Over 50 years old	-	-	352	370
By Gender				
Female	1,160 (62.20%)	1,210 (61.23%)	1,258 (61.85%)	1,315 (62.23%)
Male	705 (37.80%	766 (38.76%)	776 (38.15%)	798 (37.77%)
By Level				
Rank and File	-	-	984	1,013
Junior Officers	-	-	907	945
Senior Officers	-	-	143	155

[1]Attrition rate is calculated as the (no. of new hires – no. of turnover) / (average of total no. of employees of previous year and total no. of employees of current year)

To improve the culture and decrease the attrition rate of the company, HRMDD organizes employee appreciation activities. The Bank's senior leaders and HRMDD often create awards for employees to show their gratitude in the exemplary performances of BankCom employees. In 2025, there is a decrease in the attrition rate from 2024, with 13.76%.

BankCom also cultivates a strong company culture that aligns to the core value of Malasakit of the SMC Group. In partnership with San Miguel Foundation (SMF), CCCPD led BankCom employees in life-enriching CSR activities conducted at various locations during the year. These activities included reforestation/seed potting and coastal cleanup drives.

The Bank also provides upskilling programs, capacity-building and employee engagement activities as ways to retain employees. HRMDD has launched programs aimed at employee development and retention including free virtual, onsite, and offsite training for all levels of employees; management development programs for senior executives at the country's prestigious business-oriented academies; tuition reimbursements for employees taking up masters education; regular job evaluation to recognize expanded roles; employee engagement activities such as appreciation month; and various medical and mental health awareness programs.

Ratio of the lowest paid employee against the minimum wage[1]

Disclosure Requirements	2022	2023	2024	2025
Probationary Employee	111%	106%	103%	103%
Regular Employee	120%	102%	103%	103%

[1]*Computation is as follows: Lowest Salary / ((Minimum Wage x 261 days) / 12 months))*

BankCom affirms its adherence to the 'Pay for Performance' philosophy wherein the structure is designed to uphold equality, providing both men and women with identical compensation for those of comparable roles and responsibilities. Gender does not play a role in the job offers or salary increases. The Bank's commitment to its philosophy, which emphasizes individual performance metrics, promotes fairness and encourages a high level of dedication and productivity among the workforce.

Diversity in governance bodies and workforce

Governance Bodies	By Gender		By Age Group		
	Male	Female	under 30	30-50	over 50
SET Members	12	7	0	4	15

Employees (by category)	By Gender		By Age Group		
	Male	Female	under 30	30-50	over 50
Rank and File	349	664	512	425	76
Junior Officers	364	581	86	669	190
Senior Officers	85	70	0	51	104

Promoting diversity, equality and inclusivity (DEI) at work has been recognized as an important aspect of the modern workplace due to its positive benefits for both the company and its employees. Promoting fair treatment and equal opportunities for employees from all walks of life allows the company to benefit from ideas and innovations coming from diverse perspectives and uncover skilled and talented employees that may be otherwise overlooked. Further, implementing DEI principles in all stages of the employee cycle communicates to employees that they are respected, treated fairly, and protected against discrimination and harassment by the company.

Discrimination is defined as the prejudicial treatment based on a person's protected attributes such as race, religion, age, gender and sexual orientation, disability, family status, among others. These manifests in denial of opportunities, exclusion, isolation, or harassment.

BankCom recognizes the immense value of DEI in driving success and fostering a positive work environment. A strong DEI culture promotes fair treatment and empowers employees, thereby fostering a sense of belongingness which has an observed impact on performance and commitment from employees, generating significant benefits for the organization.

The Bank provides equal employment opportunities to employees and applicants. Recruitment, compensation, training and development are based on the personal skills, knowledge, and capabilities of each candidate. Selection in key positions, promotions, and transfers is open to all qualified candidates and employees and is based solely on merit and aptitude.

BankCom does not condone discrimination. BankCom abides by related Philippine laws such as the RA 6725 Prohibition of Discrimination Against Women, RA 7877 Anti-Sexual Harassment Act, RA 8972 Solo Parents' Welfare Act, RA 10911 Anti-age Discrimination in Employment Act, RA 7277 Magna Carta of Disabled Persons.

Employee Benefits

List of Benefits*	2022		2023		2024		2025	
	Male	Female	Male	Female	Male	Female	Male	Female
SSS (Loans)	139	265	116	236	220	413	153	281
PhilHealth (Certifications)	11	49	33	75	31	56	7	19
Pag-Ibig (Loans)	59	128	56	127	111	224	87	163
Parental Leave	37	78	34	73	1	24	2	20
Vacation Leaves	642	1073	439	647	780	1,262	801	1,307
Sick Leaves	394	681	301	455	509	861	553	935
Medical Benefits[1]	34	87	41	124	7	71	8	65
Housing Assistance[2]	285	492	323	508	N/A	N/A	N/A	N/A
Retirement Fund[3]	49	112	50	110	45	71	29	52
Further Education Support	4	2	2	2	2	1	1	1
Others								
Life Insurance	1	0	1	1	2	2	3	0
Accident Insurance	0	0	2	0	0	0	4	0
Emergency Leaves	327	580	335	532	398	660	447	755
Rice Subsidy	322	563	317	574	664	1,124	677	1,186
Clothing Allowance	667	1108	725	1132	776	1,258	675	1,187
Burial Assistance	12	31	19	49	26	23	24	47

**Those who availed the employee benefits*
[1]aside from PhilHealth, SSS Sickness & Maternity
[2]aside from PAGIBIG
[3]aside from SSS

All regular employees are given various benefits. As competition for talent in the finance industry is growing, it gives the Bank an opportunity to look into other forms of remuneration such as in the areas of work-life balance, employee training and development, welfare, and supporting advocacies. Examples include support for dependent care, health management, and community involvement. The Bank also looks into upskilling/capacity building and employee engagement as ways to retain employees. HRMDD has launched programs aimed at employee development and retention including free virtual, onsite, and offsite training for all levels of employees; management development programs for senior executives at the country's prestigious business-oriented academies; tuition reimbursements for employees taking up masters education; regular job evaluation to recognize expanded roles; employee engagement activities such as appreciation month; and various medical and mental health awareness programs.

Key risks identified	Stakeholders affected	Management approach
High attrition rate due to dissatisfaction leading to impacts on: • recruiting, onboarding and training new individuals requires both financial and human resources; • for specialized positions where a certain level of knowledge and experience is needed, new employees may not be as proficient and thus this may lead to lower productivity from affected business units in the short run.; • the burden of work is delegated to remaining individuals which may result in burnout and dissatisfaction due to the increased workload, which in turn may lead to further attrition.	Employees Management	The Human Resource Management and Development Division (HRMDD) leads key initiatives in recruitment, organization development, and compensation and benefits. For its recruitment strategy, HRMDD utilized several approaches to attract talented individuals such as an employee referral program, online job fairs, and job search platforms and social media to increase reach of job postings. The Bank allows applicants to come from within the organization as a way to develop one's abilities in other areas within the Bank. Internal candidates, if qualified, are prioritized over external candidates. Meanwhile, for branch postings, local hiring is preferred. On the area of compensation and benefits, BankCom provides its employees competitive remuneration—with base pay, healthcare benefits and bonuses comprising its overall compensation package. Staff (rank-and-file) compensation is aligned to the collective bargaining agreement. BankCom's compensation package goes beyond salary and statutory benefits. BankCom's benefits package, depending on position and rank, includes various affordable financing programs; health management organization (HMO) program for employees and qualified dependents; life insurance, medical and optical allowance; study leave and scholarship reimbursement, as well as food allowances/free lunch. The Bank also maintains a retirement program which is managed professionally.

EMPLOYEE TRAINING AND DEVELOPMENT

BankCom advocates training and employee development to meet the objectives of providing employees with skills and competencies to be future-ready, and at the same time enabling the Bank as an organization to deliver on its mission and purpose for its customers and other stakeholders. Providing training and development opportunities is also part of employee engagement as it communicates the Bank's intention to support the career advancement and well-being of employees.

BankCom employs a strategic training management approach whereby high-potential and high-performing employees are determined through an appraisal system that measures performance in the areas of achieving financial goals, strengthening internal business processes, and enhancing visibility and relevance to customers. Based on these areas, an employee's strengths and potentials are identified and matched against a career path to determine gaps that can be addressed through external training, on-the-job mentoring, and other forms of management interventions. These are articulated in a Development Action Plan (DAP).

Training Hours

Disclosure Requirement	2023	2024	2025
Total training hours provided to employees	**60,614 hours**	**92,296 hours**	**348,243 hours**
Female	-	55,504	223,173
Male	-	36,792	125,070
Average Training Hours per Employee[1]	**31 hours**	**45 hours**	**165 hours**

[1]*Computation is as follows: 348,243 total training hours / 2113 headcount as of December 2025.*

Disclosure Requirements	2022	2023	2024	2025
Percentage (%) of Employees Offered E-Learning Training on:				
a. Information Security Awareness	100%	100%	100%	100%
b. Financial Consumer Protection	100%	100%	100%	100%
c. Business Continuity Management	100%	100%	100%	100%
d. Anti-Money Laundering	100%	100%	100%	100%

On another note, The BSP requires Philippine banks to conduct annual mandatory trainings on the areas of anti-money laundering, information security risk, financial consumer protection, and data privacy to ensure employee's continuous awareness of rules, standards and processes pertaining to these key risk topics in the banking industry.

BankCom continues to update its E-Learning Module and explore tools available in Microsoft Office 365 to disseminate relevant information. HRMDD manages limited subscriptions to selected employees in LinkedIn Learning and engages these learners to discover what these facilities have to offer.

The ESG Team, together with HRMDD, has continuously provided new employees with an introduction to ESG and Sustainability. The ESG Team likewise participates in external trainings and workshops and in doing so, has gathered information on ESG frameworks and best practices for banks that can be integrated into BankCom either through capacity building/training or technical solutions. The Team is expected to roll out a specialized training plan on ESG and sustainability for existing employees.

Performance Review

In BankCom, every employee participates in a formal performance evaluation and career development review, guaranteeing that 100% of its workforce receives constructive feedback and guidance. These reviews are conducted annually and involve a comprehensive assessment of the employee's contributions, goals, and opportunities for skill enhancement. The Bank is committed to fostering employee growth that is aligned with BankCom's objectives.

Key risks identified	Stakeholders affected	Management approach
Without continuous efforts to engage employees and upgrade their competencies through training: Skills may stagnate, and motivation may plateau, leading to a decline in productivity. • Employees may have low morale due to lack of employee development. • Employees may feel unhappy and dissatisfied, which can result in reduced productivity and increased staff turnover. • Lack of employee development or training can also result in an unsafe working environment. • Failure to conduct training sessions mandated by the BSP could result in legal and compliance issues. • Lack of knowledge of employees on topics of anti-money laundering, information security risk, financial consumer protection, and data privacy that could potentially expose BankCom to risks due to human errors or failure to comply with regulations.	Employees Management	BankCom, through HRMMD's leadership, conducted several trainings directed to advancing employees' technical and functional competencies: BRANCH AND HEAD OFFICE OFFICERS: Officership Training Program JUNIOR OFFICERS (JOs) AND RANK & FILE (RF) Signature Verification and Forgery Detection Fraud & Forgery Detection and Prevention Effective Business Writing Workshop Effective Presentation Skills Workshop EXECUTIVES AND JOs Strategic Planning Civility in the Workplace Corporate Banking and Development Bootcamp Coaching for Managers Workshop Managing the Multigenerational Workforce Workshop Keys to Leadership INTERNAL AUDIT DIVISION – EXECUTIVES, JOs, RF Root Cause Analysis and other Internal Audit Related Matters Workshop TRANSACTION SERVICES GROUP – RF The Keys to Performance In addition, Members of the Board of Directors, Senior Executives, JOs and RF Employees had attended over 150 external trainings sponsored by the Bank. Examples of external trainings are those which touch on areas of operations, compliance and all other relevant areas of knowledge in Banking which are offered through the Bank Administration Institute of the Philippines (BAIPHIL) such as covering banking industry topics: AML/CTF, auditing, accounting, risk management, cybersecurity, data privacy and sustainability among others.

LABOR-MANAGEMENT RELATIONS AND STANDARDS

Hiring Guidelines

In relation to recruitment and selection, BankCom is dedicated to achieving its employment objectives through a proper and comprehensive screening process, from pre- to post-employment. The Bank exercises fairness in selecting applicants based on their overall qualifications. Aligned with its commitment to fostering an inclusive workplace, BankCom's hiring guidelines explicitly prohibit any form of discrimination on the basis of gender, status, age, or religion.

Collective Bargaining Agreements

BankCom has a collective bargaining agreement with the BankCom Employee Union (BCEU) where the purpose is to foster good labor-management relations, enforcing discipline and exacting efficiency and honesty in the performance of the employees' duties to ensure maximum productivity, peaceful adjustment and settlement of grievance disputes and differences which may arise.

Disclosure Requirements	2024	2025
% of employees covered with Collective Bargaining Agreements (CBA)	All regular rank-and-file employees of the Bank* 984 Rank and File employees (793 BCEU members)	All regular rank-and-file employees of the Bank* 936 Rank and File employees (803 BCEU members)
Number of consultations conducted with employees concerning employee-related policies	Zero	Zero

**Regular rank-and-file employees" mean employees of the bank who, not being probationary, managerial or supervisory employees as defined by law, have been engaged to perform activities which are usually necessary or desirable in the usual business or trade of the Bank.*

Health and Safety

Occupational Health and Safety

Disclosure Requirement	2023	2024	2025
Employees covered by an Occupational Health and Safety (OSH) System	100%	100%	100%

As a recognized human right, initiatives that safeguard employees' health, safety, and well-being are prioritized at BankCom. Beyond national regulations requiring companies to institute an Occupational Health and Safety System, BankCom actively works beyond the prevention of harm but also in promoting and securing physical and mental health for employees. BankCom's commitment to health and safety is integrated in its policies and programs on internal communications, risk management and employee engagement.

BankCom is compliant with Republic Act (RA) 11058 and Department of Labor and Employment (DOLE) Department Order 198-18, acknowledging the company's obligation and responsibility to implement an OSH system to ensure the protection of workers and employees against injuries, illnesses, and death through safe and healthy working conditions and environment.

Labor Laws and Human Rights

Disclosure Requirement	2024	2025
No. of legal actions or employee grievances involving forced or child labor	0	0

Drug-Free Workplace Policy

Employee health is highlighted by BankCom's initiatives in the workplace. The Bank strongly advocates for the safety and well-being of its employees, bearing in mind the adverse effects of dangerous drugs on its employees, the workplace, their family and the community. In this regard, the Bank implements a drug- free workplace policy to ensure alignment with its commitment as well as RA 9165 or the Comprehensive Dangerous Drugs Act of 2002.

Sexual Harassment Policy

BankCom recognizes the mutual respect, cooperation and understanding necessary for a working environment. It is the full support and recognition to the dignity and self-esteem of individuals that the Bank has created a Sexual Harassment Policy and Procedure in 2002. This policy shows commitment to a work environment that is free of sexual harassment and all forms of sexual intimidation and exploitation of its employees by their officers or co-workers.

CUSTOMER MANAGEMENT

At the core of BankCom's mission is customer satisfaction. Ensuring that every interaction is smooth, efficient and beneficial, the Bank prioritizes customer management through its financial education initiatives and proactive problem resolution.

Customer Satisfaction

In December 2025, the Branch Banking Group (BBG) conducted a short survey, gathering insights from 4,979 respondents. The participants rated their experiences with the Bank from a scale of 1 to 5, with 5 being the highest score. The Bank achieved a score of 4.87, reflecting a strong commitment to customer service and a high level of trust among its clients.

Complaint Management

In 2025, there were a total of 25,127 complaints logged, with 95% addressed, and 77% addressed within the normal 5-day turnaround time.

Marketing and labelling

There were no complaints and non-compliance in relation to marketing and labeling in 2024.

Disclosure Requirements	2023	2024	2025
No. of substantiated complaints on marketing and labeling	0	0	0
No. of complaints addressed	0	0	0

Customer Privacy

In maintaining trust, BankCom acknowledges the importance of customer privacy, ensuring the security of sensitive financial information.

Disclosure Requirements	2023	2024	2025
No. of substantiated complaints on customer privacy*	0	0	0
No. of complaints addressed	0	0	0

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms*

CONSUMER FINANCIAL PROTECTION

In 2025, BankCom ramped up its Financial Literacy Programs with the different branches leading the sessions to teach different sectors such as employees, students, women and other beneficiaries. With 8 CSR activities and 6 financial literacy sessions coordinated with the San Miguel Group ecosystem and different branches, BankCom has reached a total of 812 stakeholders.

The Bank also conducted series of Financial Literacy Programs to educate participants on the aspects of basic financial management (financial planning, saving, proper use of credit and basics of investing), digital literacy as well as cyber security (e-safety). BankCom collaborates with schools, community organizations, and businesses to ensure that those who will benefit most from the program are included. We identify the particular demographic categories—such as students (grade school, high school, and college), low-income individuals, working professionals, or retirees in order to customize the modules.

For working professionals and/or retirees, the Bank usually conducts surveys to determine the FinLit requirements of potential participants. This also helps in customizing the program to address specific knowledge gaps.

DATA SECURITY

BankCom implements robust security measures to safeguard customer data from unauthorized access and cyber threats. Likewise, compliance with strict regulatory standards and data protection laws further reinforces the Bank's commitment to ensure personal and financial details are handled with utmost care and confidentiality.

Disclosure Requirement	2023	2024	2025
No. of data breaches, including leaks, thefts	0	0	0

COMMUNITY ENGAGEMENT

CSR in Bank of Commerce (BankCom) is deeply aligned with our parent company, San Miguel Corporation's (SMC) core value of "Malasakit" and vision of building a better world. For BankCom, our commitment to delivering superior service goes hand-in-hand with our commitment to bringing positive impact to our employees, clients and partners, and to supporting SMC's nation-building initiatives. The Bank adheres to the concept of giving back through willingness to dedicate time, effort and resources, and showing up when it matters the most.

BankCom ramped up its involvement on initiatives and causes which are anchored on the Bank's CSR pillars of community development, financial literacy and social responsibility in 2025. From various donation drives, environmental protection activities, community outreaches, and financial literacy sessions, BankCom volunteers strategically partnered with reputable organizations and proactively participated in San Miguel Foundation-led initiatives. These enabled our employees to be part of something purposeful and gave them a sense of meaning, connection and purpose aside from the work that they do.

Financial Literacy Program

BankCom's Financial Literacy (FinLit) Program is a core pillar of the Bank's CSR initiative. Through its Consumer Protection and ESG Department (CPED), the Bank regularly rolls out FinLit sessions that focus on equipping various segments in society such as parents, students, micro and small entrepreneurs, women, and others with knowledge on financial planning, budgeting, saving and avoiding scams.

In 2025, the program was able to successfully reach a total of 100 high school teachers from President Corazon "Cory" C. Aquino National High School (PCCCANHS), a total of 101 women entrepreneurs who are Better World Community members or being supported by the Helping Hands Livelihood Group or the Petron Foundation, 30 parents and officials in Brgy. Pingit, Baler, Aurora, and 100 youth plus parents around the area of the Sto. Domingo Church in Quezon City.

Aside from the Bank's CPED, different branches in Metro Manila also conducted the different sessions, ensuring a wider reach.

School kit packing

With an aim to support after-school programs in education and active citizenship, BankCom partnered with a non-profit organization, Sikat-Aurora, who help underserved communities in the province of Aurora. The Bank sponsored one cycle in August 2025 of Abot Ko Ang Libro (ABKL), a mobile library cart program that brings books closer to learners in remote areas in the province. In this program, student volunteers did storytelling sessions for 5 consecutive Saturdays to 50 kids from Brgy. Pingit. On the fifth Saturday, BankCom turned over 50 school kits with reading materials to these kids who completed attending all 5 Saturdays of the ABKL program. These school kits were packed through the assistance of 24 head office-based volunteers.

A total of 56 volunteers from the different branches of the Metro Manila South and North Areas also joined in the school kit packing activities. Their participation produced a total of 135 school kits donated to students of Lawang Elementary School and Lawang West Elementary School in the Municipality of Dilasag.

Box It Fresh

The Bank's Human Resources Management & Development Division (HRMDD) implemented a Nutrition Month Engagement Program called "Box It Fresh" in July 2025 at the head office where employees can buy fresh produce from Better World Tondo Nanays. 19 BankCom volunteers dedicated their time in effectively managing the program and in ensuring the activity was implemented in an orderly manner.

Outreach and support

Philippine Cancer Society, Inc.

BankCom's Transaction Banking Group (TBG) visited the Philippine Cancer Society, Inc. (PCSI) at San Miguel, Manila to generously share their monetary and in-kind donations, spend some time to cheer up and bring a glimmer of hope to the patients assisted by PCSI. Senior Vice President and TBG Head Mary Assumpta Gail Bautista together with 17 volunteers from the group generously donated their cash prize of PHP 50,000 from winning the Charity Raffle during BankCom's 2024 Year-end Party. The volunteers also organized a special program with fun games and shared inspirational messages to 20 cancer patients.

Chosen Children Village Foundation

11 volunteers from different branches in the Metro Manila South Area visited the Chosen Children Village Foundation which houses children with disabilities. The visit was filled with joy and meaningful interactions through fun games, storytelling, and special bag painting activity that allowed the children to express their creativity. As part of this initiative, the volunteers also extended their support through cash and in-kind donations.

Missionaries of Charity for the Elders

Initiated by the Metro Manila East Area branches, a total of 70 elders being cared for by the Missionaries of Charity were visited by 16 volunteers from BankCom. The volunteers spent time to entertain the "lolos and lolas" through songs and meaningful interactions. The volunteers also donated hygiene kits and essential supplies. Through these special visit, the volunteers were able to let the elderlies feel the warmth of human connection as some of these elderlies no longer have families to care for them.

Virlanie Foundation

BankCom branches in the Makati Area came together to partner with Virlanie Foundation to support the nine (9) female teenagers in Elizabeth Home, 20 persons with disabilities in Aime Home and 15 kids ages 5 to 12 years old in Masaya Home. From teaching confidence and useful soft skills to donations of school kits, the volunteers spent two (2) Saturdays to ensure that they were able share valuable lessons and materials that would equip them further in life.

Manila Boys, Girls and Kids Town

From elderlies to young ones, the Metro Manila East branches visited the Manila Boys, Girls and Kids Town to distribute loot bags containing snacks and spend quality time with the beneficiaries. The volunteers also hosted a game and donated clothes and hygiene kit to ensure that these children feel love and support.

Overtaken Church

The Bank's Cash Management Sales Department under Transaction Banking Group partnered with Overtaken Church to collect monetary and in-kind donations in the relief operations for those affected by fire in Brgy. Catmon, Malabon last October. A total of 50 individuals were the beneficiaries of this donation drive.

Team Malasakit activities

BankCom's unwavering support of Team Malasakit (TM) activities was clearly visible with the Bank's active participation in San Miguel Foundation's (SMF) TM 10th Anniversary activations in 2025. From Better World community activities to environmental initiatives, blood donation and relief operations, BankCom volunteers were ready to support.

Tutor Kita Program

Seven (7) volunteers from BankCom dedicated their time and expertise to help bridge learning gaps for Filipino students as part of SMF's Tutor Kita Program in partnership with AHA Learning Center, a non-profit organization that helps Filipino students in their studies. The volunteers participated in both face-to-face and online trainings to prepare them for the task of tutoring learners at the Better World Smokey Mountain in Tondo, Manila. For two consecutive Saturdays in February and March, they shared their knowledge on one of the four (4) subjects: Filipino, English, Math and Science within an hour and half-long class structure. After each session, the students took post-tests to evaluate their learnings and ensure reinforcement of academic and social skills.

The program provided after-school learning support to K-12 students, focusing on academic reinforcement, emotional growth, and self-confidence.

Blood Donation, and Health and Wellness

BankCom volunteers understand the importance of having available safe supply of blood in saving lives. The Philippines approximately requires one (1) million units of blood annually to support the requirements of various patients in the country according to the Philippine Red Cross. Heeding to the call for blood donors, 21 BankCom employees in the head office signed up for the nationwide blood donation drive facilitated by SMF in cooperation with the Philippine Red Cross.

On the other hand, 19 employees volunteered in two (2) different sessions of Health and Wellness activities at Better World Cubao. The volunteers led Zumba sessions which truly energized the "kumares". They also shared tips on how stay healthy while trying to lose weight through a talk facilitated by Mr. Michael Angelo Quinto from the Bank's Digital Services Group who was also declared Champion of BankCom's Biggest Loser 2025 engagement activity.

Fur Partner Day

20 pet-loving BankCom volunteers joined SMF's Fur Partner Day with Animal Kingdom Foundation (AKF) in Capas, Tarlac. They assisted in feeding, petting, bathing plus getting to know the rescued cats and dogs at the shelter. There were also monetary and in-kind donations such as pet wipes, treats, collar and other useful items. These donations were then turned over to AKF.

Tree planting, Backyard Bukid and Agriskwela and Coastal Cleanup

The Bank's strong commitment to environmental protection was visible in its participation to different conservation efforts. Nine (9) volunteers planted saplings at the Mount Purro Nature Resere (MPNR) in Brgy. Calawis, Antipolo City along with other SMC business unit volunteers. These saplings were the grown seedlings potted by BankCom volunteers in the previous years.

On the other hand, BankCom volunteers also joined the efforts for maintaining the Backyard Bukid and learned about basic agricultural skills at the SMC Head Office Complex.

BankCom has been actively participating in coastal cleanups since 2018 and has supported SMF's cleanup campaigns since 2019. 2025 is no different with more BankCom volunteers from the Head Office and branches participating in the cleanup drive: 45 joined the Metro Manila leg at the SM Mall of Asia and 10 joined the regional activation at Brgy. Jubay, Liloan, Cebu. Held last September 20, these cleanup drives were part of San Miguel Corporation's (SMC) unified efforts to help collect wastes that affect our rivers and seas. This is the biggest coastal cleanup campaign yet by SMC targeting 55 sites nationwide and hundreds of volunteers from the group. BankCom volunteers collected a total of 55 sacks of plastics, aluminum cans, wood debris, rubbers and other wastes at the Manila Bay. While in Liloan, our volunteers collected 2 sacks of non-biodegradable wastes such as plastics, metals and glass.

Various donation drives

As part of Team Malasakit's initiative to bring smiles to Better World Communities in time for the Christmas season, One Good Deed Day is annually activated where different San Miguel business units can support. For BankCom, a total amount of PHP 37,861 and three (3) in-kind donations from 36 donors were turned over to SMF last December 16, 2025.

One of the highlights of Team Malasakit activities for 2025 is the Kasalang Bayan where a total of 47 couples in Smokey Mountain, Manila tied the knot in July. City of Manila Mayor Francisco "Isko" Moreno Domagoso presided over the wedding ceremonies. A total of 37 BankCom donors graciously bestowed white dresses, long sleeves, shoes and other wedding items that these couples used.

In 2025, different calamities also struck the nation; typhoons, earthquakes and fires affected our countrymen. The call for "malasakit" was even greater and BankCom was one of those who heed this call. A total amount of PHP 29,900 from 31 donors from the Bank assisted in the relief operations of SMF those affected by Typhoon Tino and Uwan in Luzon and Visayas. On the other hand, a total of 116 BankCom donors shared clothes, beddings/blankets, towels and hygiene kits to the Better World Tondo community members who were victims of the big fire in September.

Sponsorships for a Cause

The Bank continued its active involvement in sponsoring initiatives aimed at supporting various social causes including education, healthcare, and sports among others. A total amount of PHP 590,000 was donated by BankCom to various reputable organizations and institutions. Among those were Pinget Elementary School, Money Market Association of the Philippines, Alumni Association of the Asian Institute of Management (AAAIM), Bank Security Management Association of the Philippines (BSMAP), International Care Ministries (ICM), Sikat-Aurora, Foundation for Economic Freedom, Tanging Yaman Foundation, Inc., HERO Foundation, Inc. and President Corazon "Cory" C. Aquino National High School (PCCCANHS).

SUPPLY CHAIN MANAGEMENT

GRI 204-1, 414-1, 308-1

Supplier Accreditation Policy

Topic	Reference in supplier accreditation policy
Environmental Performance	Suppliers are required to submit information on policy and management programs focusing on the environmental impact of their operations/products
Forced Labor	Suppliers are required to provide information on their labor policies
Child labor	Suppliers are required to provide information on their labor policies
Human rights	Suppliers are required to provide information on how respect for human rights is integrated in their policies
Bribery and corruption	Suppliers are required to acknowledge the Bank's no-gift policy

BankCom's commitment to sustainability in its own operations is two-pronged: (1) ensuring resource efficiency and managing direct environment and social impacts and (2) implementing responsible sourcing and supply chain management practices. BankCom recognizes that organizations may have indirect environmental impacts through its business relationships, particularly through its supply chain. Beyond ensuring the quality or technical capability of products and services offered, it is now critical to ensure that vendors and third-party service providers are aware and are transparent about their environmental and social impacts, and to encourage them to start taking steps to manage these impacts by integrating sustainability into their own operations.

Sustainable and responsible sourcing and supply chain management starts with understanding the extent of environmental and social impact of suppliers and encouraging them to rethink unsustainable practices through raising awareness on sustainability. These steps are integrated in the supplier accreditation process of BankCom.

In its commitment to responsible and efficient operations, BankCom conducts supplier orientation on sustainability. The orientation involves providing an overview of sustainability in the Bank, the regulations aligned with the questionnaire, and an introduction on how to accomplish the supplier sustainability questionnaire. BankCom has a unique opportunity to extend its commitment to sustainability by raising awareness to suppliers and encourage them to rethink the ways they do business. It will allow BankCom to extend beyond its walls its commitment to sustainability and position itself as a leader in driving positive change within the industry.

ESG Factors in Credit Analysis

BankCom is slowly integrating ESG into its operations, with the credit analysis process as one of them. ESG considerations are seamlessly integrated into the initial credit analysis process, which thoroughly identifies and assesses environmental and social (E&S) risks. This integration involves the use of specific templates designed to address these risks comprehensively. This documentation includes borrower disclosures that pertain to corporate governance, sustainability, and environmental compliance, alongside property hazard assessments. By connecting these elements, the evaluation process not only adheres to financial metrics but also reflects a strong commitment to integrating environmental and social governance throughout operations, fostering a culture of responsibility and sustainability.

Key risks identified	Stakeholders affected	Management approach
Disruptions in the supply chain may limit BankCom's ability to provide its services. These disruptions, which include labor disputes, environmental compliance, and production stoppages, can be caused by environmental and social problems that the supplying firm does not handle or manage, such as health and safety, labor disputes, and reputational concerns. The consequences of climate change on suppliers, including physical and transition hazards, are another significant risk to the supply chain that could have a knock-on effect on the business.	Suppliers Communities Customers	BankCom has updated the supplier vendor accreditation process to include requirements for ESG disclosures: • Suppliers are required to submit a supplier sustainability questionnaire (SSQ). The SSQ is a tool that helps us understand the environmental and social practices of our suppliers and how they manage sustainability-related risks in their business activities. • Suppliers are also required to acknowledge the Bank's no-gift policy which prohibits all employees and their immediate families from soliciting gifts, favors, and services starting any current or potential third-party provider. The Bank's SSQ and No-Gift Policy are communicated to all suppliers undergoing accreditation by the Procurement Management Department. Suppliers are required to provide documents such as a Business Continuity Self-Assessment and a Risk Profile Self-Assessment which requires information on risk topics such as human capital, information security and physical hazards.

UN SUSTAINABLE DEVELOPMENT GOALS

PRODUCT OR SERVICE CONTRIBUTION TO UN SDGS

Key products and services and their contribution to sustainable development.

Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution / Management Approach to Negative Impact
Bank Accounts BankCom provides various types of banking accounts: • Savings Account with Debit Card (Mastercard) • Savings Account with Passbook • Savings Account Plus • Checking Account • ElitePlus Checking Account • Complete Checking Account • Executive Payroll Account • US Dollar Savings Account • Euro Savings Account • Yuan Savings Account • Junior Smart Savers Savings Account • One Passbook Investment Account	 BankCom supports customers in building financial resiliency through savings by offering easily accessible, low maintenance savings and deposit accounts that cater to different populations, such as employees, students, and business owners. This helps the company contribute to **SDG 1**. It also helps achieve **SDG 8** since it gives small enterprises the financial credibility and savings they need to make capital expenditures that will grow their operations and eventually lead to the creation of jobs.	BankCom diligently fulfills its fiduciary obligation to safeguard the money entrusted to it by these depositors. The Bank's risk mission and objective is to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities. BankCom employs its ESRMS to proactively address environmental and social risks. This system ensures that any such risks, which may intersect with financial risks, are effectively managed both in the bank's core business transactions and in the management of its internal operations.
Consumer Loans BankCom also provides home, automobile, and salary loans for individual customers around the country. The Bank maintains partnerships with real estate developers as well as automobile dealers through its account officers to capture the market.	 These products align with **SDG 1** as it contributes to improvement in living standards through homeownership and increased mobility options for individuals. Salary loans foster economic resilience by reducing the reliance on predatory lending options. These accessible and fair financial solutions contribute to social equality and stability which is aligned with the goal of **SDG 8.**	The Bank ensures that potential clients are properly informed of costs and conditions and diligently reviews and evaluates potential borrowers (know-your-customer, credit risk assessments) to ensure affordability and sustainability of the product for them. The Bank employs processes to prevent over-indebtedness and actively works out solutions for clients who are in, or at risk of default. These policies are covered by BankCom's FCP Framework.

Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution / Management Approach to Negative Impact
Branches With a network of 140 branches, BankCom provides a consistent and comprehensive financial experience for individual and business clients.	 For clients who transact with merchants or other customers, these branches service their deposits to fund their personal or operating accounts, facilitate withdrawal through over-the-counter (OTC) or onsite ATMs, accept check clearing and encashment, and fulfill various account-related requests. BankCom also services the needs of business customers through its check releasing counters, deposit pickup facilities, and account maintenance for auto-credit and auto-debit arrangements performed by branches. By facilitating other products and services such as deposit and savings account and consumer, BankCom's branch networks support relevant **SDGs 1 and 8.**	BankCom implements training for Branch Staff on Fundamentals on Branch Operations and a Branch Officers Training Program. BankCom also ensures that all branch employees are aware and follow the Bank's FCP Framework ensuring quality delivery of service to branch clients.
Remittance BankCom develops and manages tie-ups with various partners to facilitate remittances from overseas Filipino workers (OFWs) mostly from the Middle East through its **SikapPinoy Asenso** program. An all-in-one service to help OFWs and their families handle their hard-earned money in the most convenient, secure, and smart way possible towards establishing a business of their own. Beyond providing a savings account and accessible remittance channels, SikapPinoy Asenso Program includes assistance to access business franchising opportunities (e.g. U-Franchise and Potato Corner for qualified BankCom OFW account holders. Products: • SikapPinoy OFW Savings Account	 This program helps Filipinos living abroad and their families manage their remittances, save money, and make investments. This primarily supports **SDG 1** as it makes it easier for money to be transferred to OFW families in need and promotes saving and investing, which helps the OFW and their families become financially resilient over the long term and end poverty cycles. Remittance channels support the macroeconomic growth and stability of the Philippine economy by facilitating the transfer of capital **(SDG 8).** Remittance schemes help OFWs and their families, especially the unbanked, become more integrated into the financial system **(SDG 10).**	BankCom diligently fulfills its fiduciary obligation to safeguard the money entrusted to it by the depositors. BankCom's risk mission and objective are to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities.

Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution / Management Approach to Negative Impact
• SikapPinoy Domestic Remit • SikapPinoy International Remit • E-Government Payments of OFWs		
Digital Channels BankCom's electronic banking channels consist of a mobile app and online banking channel designed for retail or individual customers, i.e., BankCom [Personal], a web-based channel specially made for corporate or institutional accounts, i.e., BankCom [Business], ATMs, Cash Kiosks, and point-of-sale (POS) terminals.	 The objective of strengthening domestic financial institutions to increase access to banking, insurance, and financial services is supported by BankCom's digital banking channels **(SDG 8)**. These channels guarantee easy, quick, and accessible access to BankCom's services.	BankCom implements an IT security program composed of policies and processes to protect its information assets and IT resources. The program includes physical and technical safeguards covering topics such as, but not limited to, physical security, software and hardware controls, backup, storage, disposal and disaster security, internet and network security. This also covers personnel responsibilities such as IT asset management, information security training and incident management.
Financial Literacy Program BankCom's Financial Literacy Program is a comprehensive initiative designed to empower individuals with essential financial knowledge and skills. Through interactive workshops, educational resources, and tailored courses, the program aims to enhance understanding in budgeting, investing, and responsible financial management.	 In order to reduce poverty and increase financial resilience **(SDG 1)**, BankCom works to empower adults with greater financial literacy, which in turn helps them make better financial decisions. By giving people from all backgrounds access to financial information and skills **(SDG 4),** financial literacy also helps to reduce inequality **(SDG 10).**	BankCom regularly reviews its Financial Literacy Program to ensure that updates in finance and banking (threats/risks, new products/services, standards) are incorporated.
Corporate Social Responsibility (CSR) Program The Bank not only prioritizes its financial performance but also focuses on making meaningful contributions to the development of the nation and welfare of the larger society. The Bank's CSR efforts are geared toward fulfilling its long-standing commitment to community development, promoting financial literacy, and championing volunteer work: • Total volunteers: **462**	 BankCom employees volunteered in various coastal clean-ups organized by Team Malasakit of SMF where team members across all business units, BankCom included, volunteered to clean up coastal area across Metro Manila and Visayas.  BankCom team members demonstrated their commitment to the community by participating in san Miguel Foundation-led tree planting	BankCom ensures that its CSR activities are strategic and aligned with its core values. BankCom has instituted a CSR policy framework that will serve as a guiding document on the implementation of CSR activities. BankCom's CSR activities focus on expanding its financial literacy activities, supporting community development, and promoting environmental sustainability.

Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution / Management Approach to Negative Impact
• Total volunteer hours: **1,397.95** • Total number of donors of in-kind donations: **161** • Total value of cash donations: **659,261** (including sponsorships)	activity and Backyard Bukid.  BankCom partnered with Sikat-Aurora in providing 185 school kits to elementary and highschool students in the province of Aurora. The bags include pencils and a pencil case, sharpener, eraser, scissors, notebook and pad paper, crayons, and story books.	
Corporate Loans BankCom extends loans and other credit facilities to corporate institutional, and middle market clients to support their working capital and/or capital expenditure requirements. Corporate lending may be in the form of term loans, credit lines, or project finance.	**Electricity and Gas** including renewable energy (RE) reflecting 12% of the outstanding portfolio  **Real Estate** (commercial and residential) 	BankCom's risk mission and objective is to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities.
The Bank's financing portfolio includes, among others: • **Electricity and Gas** including renewable energy (hydropower, solar, battery and other energy storage systems) • **Real Estate** (commercial and residential) • **Construction** • **Manufacturing** (e.g. Food and Beverage, Textile, Apparel, Furniture) • **Agriculture and Fishing** **Water supply, sewerage, waste management and remediation activities**	**Construction**  **Manufacturing** (e.g. Food and Beverage, Textile, Apparel, Furniture)  **Agriculture and Fishing**  **Water supply, sewerage, waste management and remediation activities** 	BankCom employs its ESRMS to proactively address environmental and social risks. This system ensures that any such risks, which may intersect with financial risks, are effectively managed both in BankCom's core business transactions and in the management of its internal operations. This includes integration of ESG/climate information in credit forms used in credit evaluation to identify, assess, measure and monitor ESG/climate risks at the borrower level. BankCom is also requiring its borrowers, with material environmental impact, to provide a copy of the Environmental Clearance Certificate (ECC).

Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution / Management Approach to Negative Impact
Loans for small enterprises • Small Business Loan – Term Loan Small Business Loan – Business Credit Line	 By offering loans to small businesses, BankCom advances the national financial inclusion strategy. It also promotes **SDGs 1 and 8**, which aim to reduce poverty by fostering the expansion of small businesses and the generation of jobs they generate. Because it gives small businesses access to capital, it also advances **SDG 10's** objective.	

GRI CONTENT INDEX

Statement of Use	Bank of Commerce has reported the information cited in this GRI Index for the period January 1, 2024 to December 31, 2024 with reference to the GRI Standards.
GRI 1 Used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION
General Disclosures		
GRI 2: General Disclosures 2021	2-1 Organizational details	Contextual Information, p.1
	2-2 Entities included in the organization's sustainability reporting	Contextual Information, p.1
	2-3 Reporting period, frequency and contact point	Contextual Information, p.1
	2-6 Activities, value chain and other business relationships	Contextual Information, p.1
	2-7 Employees	Social Impact: Employee Management, pp.21 – 24
	2-19 Remuneration policies	Social Impact: Employee Management, pp.21 – 24
	2-22 Statement on sustainable development strategy	Materiality Process, p.4
	2-23 Policy commitments	Economic Impact: Anti-Corruption, pp.12 — 15
	2-30 Collective bargaining agreements	Social Impact: Labor-Management Relations and Standards, pp. 27 — 28
Material Topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Materiality Process, p.4
	3-2 List of material topics	Materiality Process: Material Topics, p.4
Direct economic value generated to stakeholders		
GRI 3: Material Topics 2021	3-3 Management of material topics	Economic Impact: Economic Performance, pp. 5- 7
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Economic Impact: Economic Performance, pp. 5- 7
	201-2 Financial implications and other risks and opportunities due to climate change	Economic Impact: Economic Performance, pp. 5- 7
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Social Impact: Employee Management, pp. 21 - 24
Procurement Practices		
GRI 3: Material Topics 2021	3-3 Management of material topics	Economic Impact: Procurement Practices, pp. 10 - 12
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Economic Impact: Procurement Practices, pp. 10 - 12
Business Ethics and Anti- Corruption		
GRI 3: Material Topics 2021	3-3 Management of material topics	Economic Impact: Anti-Corruption, pp. 12-15
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Economic Impact: Anti-Corruption, pp. 12-15
	205-2 Communication and training about anti-corruption policies and procedures	Economic Impact: Anti-Corruption, pp. 12-15
	205-3 Confirmed incidents of corruption and actions taken	Economic Impact: Anti-Corruption, pp. 12-15

GRI STANDARD	DISCLOSURE	LOCATION
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	Social Impact: Customer Management, pp. 28 - 30
	417-3 Incidents of non-compliance concerning marketing communications	Social Impact: Customer Management, pp. 28 – 30
Resource Consumption		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environmental Impact: Resource Management, pp. 16 - 19
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Environmental Impact: Resource Management, pp. 16 — 19
	302-3 Energy intensity	Environmental Impact: Resource Management, pp. 16 — 19
	302-4 Reduction of energy consumption	Environmental Impact: Resource Management, pp. 16 — 19
GRI 303: Water and Effluents 2018	303-5 Water consumption	Environmental Impact: Resource Management, pp. 16 — 19
GRI 306: Waste 2020	306-3 Waste generated	Environmental Impact: Resource Management, pp. 16 — 19
Environmental Impact Management		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environmental Impact: Environmental Impact Management, pp. 19 – 21
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Environmental Impact: Environmental Impact Management, pp. 19 – 21
	305-2 Energy indirect (Scope 2) GHG emissions	Environmental Impact: Environmental Impact Management, pp. 19 – 21
	305-3 Other indirect (Scope 3) GHG emissions	Environmental Impact: Environmental Impact Management, pp. 19 – 21
	305-4 GHG emissions intensity	Environmental Impact: Environmental Impact Management, pp. 19 – 21
Supply Chain Accreditation Policy		
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Impact: Supply Chain Management, pp. 31 - 33
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Social Impact: Supply Chain Management, pp. 31 — 33
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Social Impact: Supply Chain Management, pp. 31 - 33
Employee Hiring and Benefits		
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Impact: Employee Management, pp. 21 – 24
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Social Impact: Employee Management, pp. 21 - 24
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Social Impact: Employee Management, pp. 21 – 24
	401-3 Parental leave	Social Impact: Employee Management, pp. 21 – 24
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	Social Impact: Labor-Management Relations and Standards, p.27

GRI STANDARD	DISCLOSURE	LOCATION
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Social Impact: Labor-Management Relations and Standards, p.27
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Social Impact: Labor-Management Relations and Standards, p.27
Occupational Health and Safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Impact: Labor-Management Relations and Standards, pp. 27 - 28
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Social Impact: Labor-Management Relations and Standards, pp. 27 - 28
Employee Training		
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Impact: Employee Training and Development, pp. 24 — 26
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Social Impact: Employee Training and Development, pp. 24 — 26
	404-2 Programs for upgrading employee skills and transition assistance programs	Social Impact: Employee Training and Development, pp. 24 — 26
	404-3 Percentage of employees receiving regular performance and career development reviews	Social Impact: Employee Training and Development, pp. 24 - 26
Diversity, Equal Opportunity and Anti-Discrimination		
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Impact: Employee Management, pp. 21 – 24
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Social Impact: Employee Management, pp. 21 – 24
	405-2 Ratio of basic salary and remuneration of women to men	Social Impact: Employee Management, pp. 21 – 24
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Social Impact: Employee Management, pp. 21 – 24
Community Involvement		
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Impact: Community Engagement, pp. 30 – 31
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Social Impact: Community Engagement, pp. 30 – 31
Customer Privacy		
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Impact: Customer Management, pp. 28 - 29
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Social Impact: Customer Management, pp. 28 - 29

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	4	2	2	1

COMPANY NAME

BANK OF COMMERCE

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

San Miguel Properties Centre

No. 7, St. Francis Street

Mandaluyong City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
N/A	8982-6000	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
158	Last Tuesday of May	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Antonio S. Laquindanum	ASLaquindanum@bankcom.com.ph	8982-6000	N/A

CONTACT PERSON's ADDRESS

12th Floor, San Miguel Properties Centre, No. 7 St. Francis St., Mandaluyong City

***Note 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

***2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

Joy Marsha H. Garcia-Saylon <jgsaylon@bankcom.com.ph>

From: eafs@bir.gov.ph
Sent: Monday, 7 April 2025 6:39 pm
To: Tax Department
Cc: Paulina T. Santos <ptsantos@bankcom.com.ph>
Subject: Your BIR AFS eSubmission uploads were received

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

FRANCIS C. CHUA
Chairman of the Board

MICHELANGELO R. AGUILAR
President and Chief Executive Officer

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

Signed this 25th day of March 2025

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

Names	**Identification No.**	**Place of Issue**	**Valid Until**
Francis C. Chua	Senior Citizen ID No. GGG-001082	San Juan, Metro Manila	N/A
Michelangelo R. Aguilar	Passport No. P8692960A	DFA NCR East	September 9, 2028
Antonio S. Laquindanum	Passport No. P7572781B	DFA Manila	September 9, 2031

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Book No. III
Series of 2025

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

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Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of Commerce (the "Bank"), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2024, and notes, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

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

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

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

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Key Audit Matter

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

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

The risk

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

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

Our response

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

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

- We evaluated the governance over the development, validation and approval of the ECL model including continuous reassessment performed by the Bank;

- We assessed the design and implementation and tested the operating effectiveness of key controls in the ECL process. This includes review of loan data input to source system, review of system configuration on aging of loans, review and approval process over the determination of loan risk rating, assessment of credit quality of loans and receivables relative to the established internal credit risk rating system, approval of restructured loans, review of underlying collateral valuation, and the calculation and recognition of the ECL allowance. Our assessment included the involvement of our internal IT specialist.

- We assessed whether the loans are classified to the appropriate stage, and challenged the criteria used to categorize the loan to respective stages;

- On a sample basis, we performed an independent credit review in order to evaluate the appropriateness and adequacy of the risk rating, application of the definition of significant increase in credit risk, staging of loans and credit review processes done by the Bank including its documentation. Accounts selected for review were based on a set of criteria designed to capture the items with high risk of material misstatement in the Bank's loan portfolios;

- We assessed the key assumptions in the ECL models such as the probability of default, loss given default and exposure at default built from historical data. Our assessment included the involvement of our internal financial risk management specialist;

- For forward-looking information used, we evaluated whether the historical and projected macro-economic factors were appropriate and sufficient. This included assessing the level of significance of the correlation of the forward-looking information to the default rates, as well as the impact of these variables in the ECL. We also reviewed management's use of expert credit judgment on the assessment of other macroeconomic factors as inputs in the ECL models;

- We assessed the completeness and accuracy of data inputs in the ECL models and in the ECL calculation by comparing them with the information obtained from source systems;

- We have assessed the accuracy and reasonableness of the outputs of the ECL models through independent recalculation; and

- We have assessed the appropriateness and adequacy of the disclosures made in the financial statements.

Other Information

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 and Appendix 55 of the Manual of Regulations for Banks in Note 38 to the financial statements is presented for purposes of filing with the BSP and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years covering the audit of 2019 to 2023 financial statements*
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-038-2022
Issued June 27, 2022; valid until June 26, 2025
PTR No. MKT 10467183
Issued January 2, 2025 at Makati City

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

March 25, 2025
Makati City, Metro Manila

BANK OF COMMERCE
STATEMENTS OF FINANCIAL POSITION

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

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF INCOME

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

Forward

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

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF COMPREHENSIVE INCOME

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

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

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

Forward

Years Ended December 31

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

Forward

Years Ended December 31

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

BANK OF COMMERCE
STATEMENTS OF CASH FLOWS

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

Forward

	Note	Years Ended December 31		
		2024	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale or redemption of:				
Investment securities at amortized cost		**P114,959,240,576**	P84,500,327,600	P59,895,050,000
Financial assets at FVOCI		**306,440,323**	5,963,068,067	578,775,000
Investment properties		**210,303,527**	238,440,930	299,555,213
Property and equipment		**43,868,326**	49,279,179	52,892,081
Additions to:				
Investment securities at amortized cost		**(99,097,828,884)**	(84,762,807,309)	(69,194,981,330)
Financial assets at FVOCI		**(8,370,802,075)**	(10,877,648,681)	(1,903,195,601)
Property and equipment	*14*	**(446,281,099)**	(466,379,345)	(182,356,128)
Software costs	*16*	**(228,113,759)**	(149,908,692)	(100,896,635)
Investment properties		**(14,077,138)**	(21,025,497)	(4,932,730)
Net cash provided by (used in) investing activities		**7,362,749,797**	(5,526,653,748)	(10,560,090,130)
CASH FLOWS FROM FINANCING ACTIVITIES				
Settlement of bonds payable	*35*	**(7,500,000,000)**	-	-
Issuance of bonds payable	*35*	**6,510,558,574**	-	7,427,633,892
Cash dividends paid	*24*	**(654,937,099)**	-	-
Payment of interest on bonds	*20*	**(495,836,441)**	(376,972,511)	(106,595,991)
Payment of lease liability	*35*	**(248,096,753)**	(238,014,973)	(231,255,989)
Issuance of common stock		**-**	-	3,258,608,491
Net cash provided by (used in) financing activities		**(2,388,311,719)**	(614,987,484)	10,348,390,403
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		**6,524,975**	(7,624,444)	(1,082,325)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**10,487,413,973**	3,106,374,796	(22,457,274,950)
CASH AND CASH EQUIVALENTS - GROSS AT BEGINNING OF YEAR				
Cash and other cash items		**3,500,645,345**	2,735,170,691	2,747,780,890
Due from Bangko Sentral ng Pilipinas		**24,275,195,629**	23,678,666,441	45,373,267,996
Due from other banks		**1,055,497,093**	1,044,396,366	1,039,596,824
Interbank loans receivable and securities purchased under resale agreements		**20,114,496,080**	18,381,225,853	19,136,088,591
		48,945,834,147	45,839,459,351	68,296,734,301
CASH AND CASH EQUIVALENTS - GROSS AT END OF YEAR				
Cash and other cash items		**4,244,123,801**	3,500,645,345	2,735,170,691
Due from Bangko Sentral ng Pilipinas		**47,919,926,114**	24,275,195,629	23,678,666,441
Due from other banks		**3,819,900,855**	1,055,497,093	1,044,396,366
Interbank loans receivable and securities purchased under resale agreements		**3,449,297,350**	20,114,496,080	18,381,225,853
		P59,433,248,120	P48,945,834,147	P45,839,459,351

Forward

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

See Notes to the Financial Statements.

BANK OF COMMERCE
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

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

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

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

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

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

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

2. Basis of Preparation

Statement of Compliance

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

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

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

Basis of Measurement

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

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

Functional and Presentation Currency

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

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

Presentation of Financial Statements

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

3. Material Accounting Policies

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

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

- removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

- clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

- provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and

- clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

Foreign Currency Transactions and Translation

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

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

The foreign currency-denominated monetary assets and liabilities in the RBU are translated to PHP based on the BAP closing rate prevailing at the end of the year. Foreign currency-denominated income and expenses are translated to PHP at the exchange rates prevailing at transaction dates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

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

Financial Instruments - Initial Recognition

- *Date of Recognition*
  Regular way purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Settlement date accounting refers to: (a) the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Bank. Deposit liabilities, bills payable, bonds payable, and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

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

- *Initial Recognition of Financial Instruments*
  All financial instruments, whether financial assets or liabilities, are initially measured at fair value. Except for financial assets and liabilities valued at FVPL, initial measurement includes transaction costs.

Financial Instruments - Classification and Subsequent Measurement

Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them.

The Bank's business model for managing financial assets refers to how it manages its financials assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed;

- how managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

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

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

To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a "more than de minimis" exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

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

(i) Financial Assets at FVPL

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

A financial asset is held for trading if:

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

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

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

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

(ii) Financial Assets at Amortized Cost

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

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

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included under "Interest income" account in the statements of income. Gains and losses are recognized in the statements of income when the financial asset is derecognized, modified or impaired, as well as through the amortization process. The losses arising from expected credit losses (ECL) is recognized under "Provision for credit and impairment losses" account, while reversals of ECL are recognized under "Reversal of credit and impairment losses" account. The two accounts are netted off in the statements of income. The effects of revaluation on foreign-currency denominated financial assets are recognized under "Foreign exchange gains - net" account in the statements of income.

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

The Bank may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. As at December 31, 2024 and 2023, the Bank has not made such designation.

(iii) Financial Assets at FVOCI

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

  - the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

  - the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

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

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

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

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

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

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

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

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

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

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

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

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

Financial liabilities are not reclassified.

Modifications of Financial Assets and Financial Liabilities

Financial Assets

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

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

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- other fees are included in the statements of income and expenses as part of the gain or loss on derecognition.

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

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

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

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

(a) Changes in contractual terms that have a direct impact on the contractual cash flows. For example: changes to limit, tenor (maturity), interest rate, currency, or introduction or removal of features that give rise to cash flows other than payments of principal and interest on the principal amount outstanding;

(b) Changes in contractual terms that do not have a direct impact on the contractual cash flows. For example: changes in security, collateral or other credit enhancements that change the credit risk associated with the loan.

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

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

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

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

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

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

Derecognition of Financial Assets and Financial Liabilities
Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or

- the Bank has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of ownership of the asset; or (b) has neither transferred nor retained the risks and rewards of ownership of the asset but has transferred the control of the asset.

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

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

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

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

Staging Assessment
For non-impaired financial instruments:

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

- Stage 2: Comprised of under-performing financial instruments which have experienced a SICR since initial recognition, but do not have objective evidence of impairment. This stage recognizes a lifetime ECL for the financial instruments categorized under this group.

  For credit-impaired financial instruments:

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

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

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

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

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

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

ECL Parameters and Methodologies
ECL is a function of the following credit risk parameters:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

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

Repurchase and Reverse Repurchase Agreements

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

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

Financial Guarantees and Undrawn Loan Commitments

Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. The nominal contractual values of undrawn loan commitments, where the loans agreed to be provided are on market terms, are not recorded in the statements of financial position. These contracts are in the scope of the ECL requirements where the Bank estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to loan commitments is recognized under "Other liabilities" account in the statements of financial position.

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

Investment in an Associate

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

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

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

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

Property and Equipment

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

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

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

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

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

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

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

Investment Properties

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

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

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

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or 10 years, whichever is lower. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

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

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

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

Other Properties Acquired

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

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or three years, whichever is lower. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

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

An item of other properties acquired is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

Intangible Assets

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

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

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

Branch Licenses

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

Software Costs

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

Impairment of Investment in an Associate and Non-financial Assets

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

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

The net recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the net recoverable amount is assessed as part of the cash-generating unit to which it belongs. Value in use is the present value of future cash flows expected to be derived from an asset or cash-generating unit while fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable and willing parties less any costs of disposal. Where the carrying amount of an asset (or cash-generating unit) exceeds its net recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

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

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

After such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair Value Measurement

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

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

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

The principal or the most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair Value Hierarchy

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

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

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities.

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

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

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

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

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

Revenue Recognition

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

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

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

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

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

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

Revenues Within the Scope of PFRS 15

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

Service Charges and Penalties

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

Fees and Commissions

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

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

(ii) Fee Income Earned from Providing Transaction Services

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

Discounts Earned and Awards Revenue on Credit Cards

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

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

Other Income

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

Revenues Outside the Scope of PFRS 15

Interest Income

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

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

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "Impairment of Financial Assets" above), the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leases

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

Bank as Lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. These reflect uncertainty related to income taxes, if there is any.

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

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is charged to current operations, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent Assets and Liabilities

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

Related Parties

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

Events After the Reporting Date

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

Fiduciary Activities

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

Amendments to Standards Issued but Not Yet Adopted

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

Effective January 1, 2025

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

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

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

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

Effective January 1, 2026

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

  Date of recognition and derecognition. The amendments clarified that:

  - a financial asset or financial liability is recognized on the date on which the entity becomes party to the contractual provisions of the instrument unless the regular way exemption applies;

  - a financial asset is derecognized on the date on which the contractual rights to cash flows expire or the asset is transferred; and

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

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

- the entity having no practical ability to withdraw, stop or cancel the payment instruction;

- the entity having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and

- the settlement risk associated with the electronic payment system is insignificant.

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

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

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

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

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

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

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

- *Gain or Loss on Derecognition (Amendments to PFRS 7 Financial Instruments: Disclosure).* The amendments replaced the reference to 'inputs that were not based on observable market data' in the obsolete paragraph 27A of PFRS 7, with reference to 'unobservable inputs' in paragraphs 72-73 of PFRS 13 Fair Value Measurement.

- *Introduction, Disclosure of Difference Between Fair Value and Transaction Price, and Credit Risk Disclosures (Amendments to Guidance on implementing PFRS 7 Financial Instruments: Disclosure).* The amendments:

  - clarified that the Guidance on implementing PFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of PFRS 7;

  - made the wordings on the disclosure of deferred difference between fair value and transaction price in paragraph IG14 of PFRS 7 consistent with the requirements in paragraph 28 of PFRS 7 and with the concepts in PFRS 9 Financial Instruments and PFRS 13 Fair Value Measurement; and

  - simplified the wordings on credit risk disclosures in paragraph IG20B that the illustration does not include financial assets that are purchased or originated credit impaired.

- *Derecognition of Lease Liabilities and Transaction Price (Amendments to PFRS 9 Financial Instruments).* The amendments:

  - added a cross-reference to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee applies the requirement that the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss; and

  - replaced the term 'their transaction price (as defined in IFRS 15)' with 'the amount determined by applying IFRS 15' because a receivable might be initially measured at an amount that differs from the transaction price recognized as revenue, for example, when you recognize full amount for consideration that's unconditionally receivable but at the same time recognize expected refund liability with respect to retrospective rebates. Consequently, the definition of the transaction price has been deleted.

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

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

Effective January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements* will replace PAS 1 *Presentation of Financial Statements* and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements:

  - Entities are required to classify all income and expenses into five categories in the statement of income: operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.

  - Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.

  - Enhanced guidance on how to group information in the financial statements.

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

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

4. Critical Judgments and Estimates

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

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

Significant Judgments

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

a) Leases

Bank as Lessee

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

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

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

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

Bank as Lessor

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

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

b) Business Model Assessment

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

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

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

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

c) Testing the Cash Flow Characteristics of Financial Assets

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

d) Functional Currency

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

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

- the currency in which funds from financing activities are generated; and

- the currency in which receipts from operating activities are usually retained.

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

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

e) Provisions and Contingencies

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

Estimates

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

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

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

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

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

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

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

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

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

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

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

(ii) Fair Value of Financial Instruments

Where the fair values of financial assets and liabilities (including derivatives) recognized in the statements of financial position cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These estimates may include consideration of liquidity, volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

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

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

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

a) significant underperformance relative to expected historical or projected future operating results;

b) significant changes in the manner of use of the acquired assets or the strategy for overall business; and

c) significant negative industry or economic trends.

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

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

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

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

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

(v) Recognition of Deferred Tax Assets

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

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

(vi) Present Value of Retirement Benefit Obligation

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

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

(vii) Contingencies

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

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

5. Financial Risk Management Objectives and Policies

Introduction

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

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

Risk Management Structure

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

Board of Directors

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

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

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

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

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

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

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

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

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

Internal Capital Adequacy Assessment Process (ICAAP) Steering Committee (ICAAPcom)
The ICAAPcom is responsible for overseeing the Bank's ICAAP to ensure that mandated minimum capital requirements are met and that capital levels are sufficient to cover the Bank's risk exposures driven by its strategic plans.

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

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

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

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

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

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

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

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

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

Risk Mitigation

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

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

Risk Concentration

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

Credit Risk

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

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

The Bank's primary element of credit risk management is the detailed risk assessment of every credit exposure associated with the counterparty. Risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific type of underlying credit exposures as mandated by the circulars issued by BSP. The risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the monitoring procedure applied to the ongoing exposures.

There has been no material change on the Bank's exposure to credit risk or the manner in which it manages and measures the risk.

Derivative Financial Instruments
The Bank enters into currency forward contracts to manage its foreign exchange risks. Currency forwards are contractual agreements to buy or sell a specified currency at a specific price and date in the future. These derivatives are accounted for as non-hedges, with the fair value changes being reported in the statements of income for the period under "Foreign exchange gains - net" account. Credit risk, in respect of derivative financial instruments, is limited to those with positive fair values, which are reported as "Financial assets at FVPL" account in the statements of financial position.

Credit-related Commitment Risks
The Bank makes available to its customers guarantees which may require the Bank to make payments on their behalf. Such payments are collected from customers based on the terms of the letters of credit. They expose the Bank to risks similar to loans and these are mitigated by the same control processes and policies.

Credit Risk Exposures
The table below shows the Bank's maximum exposure on receivables from customers and sales contract receivables, net of unearned interest income and allowance for credit losses, before and after collateral to credit risk as at December 31, 2024 and 2023:

	December 31, 2024		December 31, 2023	
	Maximum Exposure		Maximum Exposure	
	Before Collateral	**After Financial Effect of Collateral or Credit Enhancement**	Before Collateral	After Financial Effect of Collateral or Credit Enhancement
Receivables from customers:				
Term loans	**P102,122,054,012**	**P95,440,542,042**	P80,465,866,990	P72,479,226,327
Agri-agra loans	**13,570,344,235**	**13,566,502,013**	11,478,913,064	11,221,920,766
Housing loans	**9,479,983,651**	**6,625,490,914**	8,256,741,837	2,913,703,470
Auto loans	**4,817,361,550**	**4,555,858,290**	3,880,015,183	1,352,091,080
Bills purchased, import bills and trust receipts	**1,177,712,704**	**1,177,712,704**	959,027,056	959,027,056
Direct advances	**293,010,557**	**5,844,940**	453,960,006	1,644,710
Others	**2,301,332,860**	**2,301,172,355**	2,084,429,902	2,084,264,623
	133,761,799,569	**123,673,123,258**	107,578,954,038	91,011,878,032
Sales contract receivables	**278,434,248**	**-**	331,532,289	-
	P134,040,233,817	**P123,673,123,258**	P107,910,486,327	P91,011,878,032

For the other financial assets, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2024 and 2023.

As at December 31, 2024 and 2023, fair value of collaterals held for loans and receivables amounted to P18.5 billion and P105.5 billion, respectively.

The table below shows the Bank's maximum exposures, net of unearned interest income, relating to financial assets carried under Stage 3 as at December 31, 2024 and 2023:

	December 31, 2024			
	Maximum Exposure			
	Before Collateral	**Financial Effect of Collateral or Credit Enhancement**	**After Financial Effect of Collateral or Credit Enhancement**	**Expected Credit Loss**
Receivables from customers:				
Term loans	**P680,576,644**	**P18,051,343**	**P662,525,301**	**P304,767,316**
Agri-agra loans	**138,284,306**	**-**	**138,284,306**	**138,284,306**
Housing loans	**284,138,121**	**125,120,332**	**159,017,789**	**73,501,172**
Auto loans	**336,290,190**	**275,422,326**	**60,867,864**	**243,410,847**
Bills purchased, import bills and trust receipts	**45,926,838**	**-**	**45,926,838**	**45,926,838**
Direct advances	**69,569,282**	**-**	**69,569,282**	**69,569,282**
Others	**304,187,793**	**183,895**	**304,003,898**	**226,824,514**
	1,858,973,174	**418,777,896**	**1,440,195,278**	**1,102,284,275**
Sales contract receivables	**90,873,179**	**37,260,172**	**53,613,007**	**53,985,608**
	P1,949,846,353	**P456,038,068**	**P1,493,808,285**	**P1,156,269,883**

	December 31, 2023			
	Maximum Exposure			
	Before Collateral	Financial Effect of Collateral or Credit Enhancement	After Financial Effect of Collateral or Credit Enhancement	Expected Credit Loss
Receivables from customers:				
Term loans	P443,679,697	P209,080,940	P234,598,757	P407,680,265
Agri-agra loans	185,707,842	6,232,700	179,475,142	185,707,842
Housing loans	543,308,772	477,362,994	65,945,778	172,339,550
Auto loans	350,702,965	341,795,414	8,907,551	232,543,078
Bills purchased, import bills and trust receipts	89,469,843	-	89,469,843	89,469,843
Direct advances	121,241,742	-	121,241,742	121,241,742
Others	253,848,484	183,895	253,664,589	186,626,571
	1,987,959,345	1,034,655,943	953,303,402	1,395,608,891
Sales contract receivables	100,875,387	47,192,830	53,682,557	54,151,486
	P2,088,834,732	P1,081,848,773	P1,006,985,959	P1,449,760,377

For the other financial assets carried under Stage 3, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2024 and 2023.

Collaterals and Other Credit Enhancements
The amount and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. Guidelines are implemented regarding the acceptability of types of collateral valuation and parameters.

The main types of collaterals obtained are as follows:

- For securities lending and reverse repurchase transactions: cash or securities;
- For commercial lending: mortgages over real properties, inventory and trade receivables and chattel mortgages; and
- For retail lending: mortgages over real properties and financed vehicles.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement, in the event that the value of the collateral depreciates due to various factors affecting the collateral.

It is the Bank's policy to dispose repossessed properties in the most expeditious manner possible. Sale is facilitated by offering incentives to the Bank's accredited brokers and/or formulating programs to attract buyers like offering fixed interest rates for an extended period of time and reduced rates for down payment as compared to prevailing market rates, among others.

Credit Quality Per Class of Financial Assets
The credit quality of financial assets is assessed and managed by the Bank using both external and internal credit ratings. The Bank's ICRRS is an established tool used to evaluate the Credit Risk associated with each borrower. The ICRRS assigns a score to each account based on a combination of quantitative and qualitative factors. The scores assigned to each obligor is equivalent to the risk associated to each individual. The scoring model is reviewed and validated by external parties regularly to ensure that the model is risk ranking properly. The risk rating is used as one of the measures of the Bank's risk appetite and as a factor in impairment calculation.

Based on the evaluation of the facility risk factor (FRF), the borrower risk rating (BRR) can be upgraded or downgraded to come up with the final credit risk rating (CRR). Such CRR is eventually used in the determination of the ECL.

BRR Disclosure
In compliance with BSP, the Bank implemented a credit risk classification that is compliant with global rating standards. The BRR is the evaluation of the credit worthiness of an existing or prospective borrower. The account is evaluated independent of any influence from any transactional factors. The BRR measures the borrower's credit quality by looking into three major aspects, namely, financial condition, industry analysis and management quality. The financial condition is assessed by the Bank through financial ratio analysis based on the latest available financial information of the borrower. The Bank performs industry analysis by reviewing actual and expected significant changes in the political, regulatory, and technological environment of the borrower or in its business activities. Management quality is assessed by reviewing the experience and quality of management and management's business strategy. In addition, management's business planning and management of banking relationship are also considered. Each section is given the following point allocation:

Section	Maximum Points	Section Rating
Financial Condition	240	40%
Industry Analysis	210	30%
Management Quality	150	30%
TOTAL	**600**	**100%**

There are several rating factors per section which can earn points depending on the four (4) quality judgment levels as follows:

Good	- 30 points
Satisfactory	- 20 points
Still acceptable	- 10 points
Poor	- 0 point

If there is no available information for a specific factor, a rating of "Poor" will be given.

The BRR is used to determine the credit quality of the Bank's corporate accounts. Loan accounts are classified according to a 1 -10 rating scale based on BRR results, as follows:

	Final Score	Equivalent Risk Rating	Calculated BRR
High Grade	>177	Excellent	1
	150 - 176	Strong	2
	123 - 149	Good	3
Standard Grade	96 - 122	Satisfactory	4
	68 - 95	Acceptable	5
	<68	Watchlist	6
Substandard Grade		Special Mention	7
		Substandard	8
Impaired		Substandard	8
		Doubtful	9
		Loss	10

High Grade or accounts with BRR of 1-3 are loans where the risk of the Bank are good to excellent in terms of risk quality and where the likelihood of the non-payment of obligation is less likely to happen.

Standard Grade or accounts with BRR of 4-6 are loans where the risk of the Bank ranges from satisfactory to acceptable with some form of weakness and where repayment capacity needs to be watched.

Substandard Grade or accounts with BRR of 7-8 are loans still in current status but observed to have potential weaknesses and require a closer observation than the accounts under the Standard rating since if weaknesses are uncorrected, repayment of the loan may be affected increasing the credit risk to the Bank.

Past due but not impaired are those accounts for which contractual principal and interest payments were past due but the Bank still believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank.

Impaired accounts are loans classified by the Bank as Substandard, Doubtful and Loss where there are experiences of past due accounts and there are well-defined weaknesses where collection or liquidation of obligation may be or is already jeopardized.

Consumer loans portfolio and credit card receivables undergo credit scoring, which results in applications either being referred for further manual evaluation or declined. Receivables considered outside the main business lines of the Bank are considered unrated accounts, which include benefit loans, accounts receivable, accrued interest receivables, sales contract receivables and returned checks and other cash items (RCOCI).

The BRR can be subject to an upgrade/downgrade on the basis of the following:

Group Affiliation:

(a) When a borrower belongs to a group of companies, it can be upgraded up to the rating of the parent company provided that the parent company has a BRR of 4 or better.

(b) If the BRR of the subsidiary is better than the parent, a downgrade can be considered especially if the parent has a BRR of 5 or worse.

(c) If the parent has a BRR of 5 or lower and the subsidiary was also rated 5 or worse, it can retain its own rating.

(d) If there are criteria such as the medium and long-term outlook, special risks that can grievously affect the company and outweigh the other criteria, a possible downgrade can be considered.

(e) Companies with rapid expansion without a strong driving force or only on account of a single customer are also potential for downgrading.

FRF:

(a) The FRF is an adjustment in the BRR that considers the transactional influence. It takes into account the quality of each facility. It is important to note that a Borrower can have only 1 BRR but several FRF for its multiple facilities. FRF evaluates the different security arrangements; the quantity and the quality of the collateral cover for each facility.

(b) Collaterals are assessed at the net realizable value in a liquidation scenario. In evaluating the worthiness of the collateral, the quality of the documentation and the possible subordination of the Bank's claim should also be considered.

The adjustment on the BRR based on the FRF will be based on the following:

Upgrade	The facility is cash collateralized or covered by marketable securities
	Full collateralization of other assets
	3rd party guarantees in accordance with the BRR of the guarantor an upgrade should be set to the BRR of the guarantor
Downgrade	Borrower is a potential candidate for a downgrade if the facility is clean or a major part of the facilities are pledged to other creditors

The following table shows the credit quality of loans and receivables, excluding unquoted debt securities (gross of allowance for credit losses and net of unearned interest income) as at December 31, 2024 and 2023 (amounts in thousands).

	December 31, 2024										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Neither past due nor impaired:											
High grade	**P31,219,537**	**P -**	**P -**	**P559,000**	**P287,264**	**P1,303,843**	**P -**	**P33,369,644**	**P -**	**P935,085**	**P34,304,729**
Standard grade	**68,496,710**	**-**	**20,751**	**622,537**	**4,928**	**12,144,771**	**-**	**81,289,697**	**-**	**551,839**	**81,841,536**
Subject to scoring and unrated	**-**	**9,105,032**	**4,647,760**	**-**	**-**	**-**	**2,213,384**	**15,966,176**	**238,950**	**959,902**	**17,165,028**
	99,716,247	**9,105,032**	**4,668,511**	**1,181,537**	**292,192**	**13,448,614**	**2,213,384**	**130,625,517**	**238,950**	**2,446,826**	**133,311,293**
Stage 2											
Neither past due nor impaired:											
Standard grade	**1,537,683**	**-**	**-**	**-**	**-**	**-**	**-**	**1,537,683**	**-**	**2,697**	**1,540,380**
Substandard grade	**810,000**	**-**	**-**	**-**	**962**	**170,000**	**-**	**980,962**	**-**	**14,632**	**995,594**
Past due but not impaired	**-**	**175,498**	**71,241**	**-**	**-**	**-**	**88,332**	**335,071**	**5,042**	**30,800**	**370,913**
Impaired	**75,000**	**-**	**-**	**-**	**-**	**-**	**-**	**75,000**	**-**	**423**	**75,423**
	2,422,683	**175,498**	**71,241**	**-**	**962**	**170,000**	**88,332**	**2,928,716**	**5,042**	**48,552**	**2,982,310**
Stage 3											
Impaired	**680,577**	**284,138**	**336,290**	**45,927**	**69,569**	**138,284**	**304,188**	**1,858,973**	**90,873**	**837,498**	**2,787,344**
	680,577	**284,138**	**336,290**	**45,927**	**69,569**	**138,284**	**304,188**	**1,858,973**	**90,873**	**837,498**	**2,787,344**
	P102,819,507	**P9,564,668**	**P5,076,042**	**P1,227,464**	**P362,723**	**P13,756,898**	**P2,605,904**	**P135,413,206**	**P334,865**	**P3,332,876**	**P139,080,947**

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

	December 31, 2023										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Neither past due nor impaired:											
High grade	P28,024,849	P -	P339	P672,648	P442,426	P -	P -	P29,140,262	P -	P767,219	P29,907,481
Standard grade	52,189,800	-	26,565	288,581	9,996	11,489,607	-	64,004,549	-	413,571	64,418,120
Subject to scoring and unrated	-	7,739,774	3,696,107	-	-	-	1,985,562	13,421,443	282,515	459,924	14,163,882
	80,214,649	7,739,774	3,723,011	961,229	452,422	11,489,607	1,985,562	106,566,254	282,515	1,640,714	108,489,483
Stage 2											
Neither past due nor impaired:											
Standard grade	3,370	-	-	-	-	4,731	-	8,101	-	32	8,133
Substandard grade	535,173	-	-	-	1,674	-	-	536,847	-	3,384	540,231
Past due but not impaired	-	171,144	46,914	-	-	-	88,814	306,872	5,171	27,021	339,064
Impaired	-	-	-	-	-	1,500	-	1,500	-	1	1,501
	538,543	171,144	46,914	-	1,674	6,231	88,814	853,320	5,171	30,438	888,929
Stage 3											
Impaired	443,680	543,309	350,703	89,470	121,242	185,708	253,848	1,987,960	100,875	827,152	2,915,987
	443,680	543,309	350,703	89,470	121,242	185,708	253,848	1,987,960	100,875	827,152	2,915,987
	P81,196,872	P8,454,227	P4,120,628	P1,050,699	P575,338	P11,681,546	P2,328,224	P109,407,534	P388,561	P2,498,304	P112,294,399

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

The following table shows the credit quality of loan commitment and financial guarantee contracts as at December 31, 2024 and 2023 (amounts in thousands).

	December 31, 2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	**P1,486,993**	**P -**	**P -**	**P1,486,993**
Standard grade	**24,379,059**	**-**	**-**	**24,379,059**
Subject to scoring*	**3,866,333**	**-**	**-**	**3,866,333**
	P29,732,385	**P -**	**P -**	**P29,732,385**

**Comprised of unused credit card lines.*

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	P391,758	P -	P -	P391,758
Standard grade	23,941,997	-	-	23,941,997
Subject to scoring*	3,600,977	-	-	3,600,977
	P27,934,732	P -	P -	P27,934,732

**Comprised of unused credit card lines.*

Sensitivity of ECL to Future Economic Conditions

Set out below are the changes to the Bank's ECL in 2024 and 2023 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions.

	December 31, 2024			
	Change in MEF		Impact on ECL	
	Increase	Decrease	Impact of 1% Increase in MEF	Impact of 1% Decrease in MEF
Corporate MEF				
Lag 3 of the quarterly change of the Overseas Filipino personal remittance*	1%	1%	-0.07%	0.08%
Lag 12 of the annual change of the ratio: (Gross NPL/Total Loans)				
Philippine Treasury Reference Rates - PM (PDST-R2) Tenor-6M lagged over 12 months				
Lag 9 of the annual change of the VaPI of Key Manufacturing Indices by Industry (2018 values of growth rates)*				
Auto MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)	1%	1%	-0.16%	0.17%
Out-of-pattern variable of the month-end Philippine Stock Exchange Index lagged over 3 months*				
Exports of Goods and Services, current prices (in million Philippine Pesos) lagged over 6 months.*				
Philippine Treasury Reference Rates -PM (PDST-R2) Tenor-1M lagged over 11 Months.				
Housing MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)	1%	1%	0.03%	-0.03%
C Out-of-pattern variable of the Consumer Expectations Survey next 12 months (rate)*				
9-month lag of the annual change of the current prices of the Exports of Goods and Services*				
Foreign Exchange rate: Monthly averages of the Japanese Yen per Philippine Peso lagged over 3 months				
Salary MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)	1%	1%	-0.72%	0.77%
Out-of-pattern variable of the Consumer Expectations Survey next 12 months (rate)*				
12-month lag of the annual change of the Agriculture, Fishery and Forestry, current prices*				

**These variables have a negative relationship with default*

	December 31, 2023			
	Change in MEF		Impact on ECL	
	Increase	Decrease	Impact of 1% Increase in MEF	Impact of 1% Decrease in MEF
Corporate MEF				
Lag 3 of the quarterly change of the Overseas Filipino personal remittance*	1%	1%	-0.05%	0.05%
Lag 12 of the annual change of the ratio: (Gross NPL/Total Loans)				
Philippine Treasury Reference Rates - PM (PDST-R2) Tenor-6M lagged over 12 months				
Lag 9 of the annual change of the VaPI of Key Manufacturing Indices by Industry (2018 values of growth rates)*				
Auto MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)	1%	1%	-0.02%	0.02%
Out-of-pattern variable of the month-end Philippine Stock Exchange Index lagged over 3 months*				
Exports of Goods and Services, current prices (in million Philippine Pesos) lagged over 6 months.*				
Philippine Treasury Reference Rates -PM (PDST-R2) Tenor-1M lagged over 11 Months.				
Housing MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)	1%	1%	-0.001%	0.001%
C Out-of-pattern variable of the Consumer Expectations Survey next 12 months (rate)*				
9-month lag of the annual change of the current prices of the Exports of Goods and Services*				
Foreign Exchange rate: Monthly averages of the Japanese Yen per Philippine Peso lagged over 3 months				
Salary MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)	1%	1%	-0.001%	0.001%
Out-of-pattern variable of the Consumer Expectations Survey next 12 months (rate)*				
12-month lag of the annual change of the Agriculture, Fishery and Forestry, current prices*				

**These variables have a negative relationship with default*

Loans with Renegotiated Terms

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Bank renegotiates receivable from customers in financial difficulties to maximize collection opportunities and minimize the risk of default. The carrying amounts per class of loans and receivables whose terms have been renegotiated are as follows:

	2024	2023
Term loans	**P611,885,114**	P796,146,616
Agri-Agra loans	**131,257,842**	132,758,283
Housing loans	**28,837,027**	33,325,362
Auto loans	**-**	341,434
Others	**94,129,032**	82,594,485
	P866,109,015	P1,045,166,180

For financial assets such as amounts due from BSP and other banks, interbank loans receivable and SPURA, financial assets at FVPL, financial assets at FVOCI, investment securities at amortized cost, and unquoted debt securities classified as loans, the credit quality is assessed using external credit rating (such as Standard & Poor's, Fitch, Moody's, etc.) of the respective counterparties considering relevant BSP mandates, as follows:

	December 31, 2024		
	AA - A	**BBB and Below or Unrated**	**Total**
Loans and advances to banks: **			
Due from BSP	**P47,919,926,114**	**P -**	**P47,919,926,114**
Due from other banks	**3,349,901,986**	**469,998,869**	**3,819,900,855**
Interbank loans receivable and SPURA	**3,587,849,088**	**-**	**3,587,849,088**
	54,857,677,188	**469,998,869**	**55,327,676,057**
Financial assets at FVPL:			
Government securities held-for-trading	**-**	**2,782,360,563**	**2,782,360,563**
Derivative assets*	**-**	**63,717,369**	**63,717,369**
Private debt securities	**-**	**29,555,862**	**29,555,862**
	-	**2,875,633,794**	**2,875,633,794**
Financial assets at FVOCI:			
Government securities**	**-**	**19,036,826,434**	**19,036,826,434**
Equity securities	**-**	**41,807,401**	**41,807,401**
	-	**19,078,633,835**	**19,078,633,835**
Investment securities at amortized cost:			
Government securities**	**-**	**34,465,484,615**	**34,465,484,615**
Private debt securities**	**282,010,734**	**1,868,421,885**	**2,150,432,619**
	282,010,734	**36,333,906,500**	**36,615,917,234**
Loans and receivables - gross:			
Unquoted debt securities***	**-**	**291,578,217**	**291,578,217**
	P55,139,687,922	**P59,049,751,215**	**P114,189,439,137**

**Unrated derivatives pertain to warrants*
***Accounts are neither past due nor impaired and carried at Stage 1 in 2024*
****Accounts are impaired and carried at Stage 3 in 2024*

	December 31, 2023		
	AA - A	BBB and Below or Unrated	Total
Loans and advances to banks: **			
Due from BSP	P24,275,195,629	P -	P24,275,195,629
Due from other banks	504,166,331	551,330,762	1,055,497,093
Interbank loans receivable and SPURA	20,114,496,080	-	20,114,496,080
	44,893,858,040	551,330,762	45,445,188,802
Financial assets at FVPL:			
Private debt securities	-	190,504,814	190,504,814
Government securities held-for-trading	96,719,128	83,883,498	180,602,626
Derivative assets*	-	27,685,000	27,685,000
	96,719,128	302,073,312	398,792,440
Financial assets at FVOCI:			
Government securities**	-	10,850,047,722	10,850,047,722
Equity securities	-	193,757,106	193,757,106
	-	11,043,804,828	11,043,804,828
Investment securities at amortized cost:			
Government securities**	-	50,311,649,891	50,311,649,891
Private debt securities**	-	2,165,662,758	2,165,662,758
	-	52,477,312,649	52,477,312,649
Loans and receivables - gross:			
Unquoted debt securities***	-	291,578,212	291,578,212
	P44,990,577,168	P64,666,099,763	P109,656,676,931

**Unrated derivatives pertain to warrants*
***Accounts are neither past due nor impaired and carried at Stage 1 in 2023*
****Accounts are impaired and carried at Stage 3 in 2023*

Aging Analysis of Past Due but not Impaired

The table below shows the aging of past due but not impaired loans and receivables as at December 31, 2024 and 2023.

	December 31, 2024			
	1 - 30 Days	**31 - 60 Days**	**61 - 90 Days**	**Total**
Receivable from customers (gross):				
Housing loans	**P468,268**	**P120,041,750**	**P54,987,794**	**P175,497,812**
Auto loans	**-**	**53,978,278**	**17,262,943**	**71,241,221**
Others	**52,608,939**	**31,053,822**	**4,669,189**	**88,331,950**
Sales contract receivables	**-**	**2,049,430**	**2,991,661**	**5,041,091**
Other receivables*	**2,492**	**24,000,644**	**6,797,865**	**30,801,001**
	P53,079,699	**P231,123,924**	**P86,709,452**	**P370,913,075**

** Comprised of accrued interest receivables, accounts receivables, and RCOCI*

	December 31, 2023			
	1 - 30 Days	31 - 60 Days	61 - 90 Days	Total
Receivable from customers (gross):				
Housing loans	P21,420,752	P86,393,824	P63,329,410	P171,143,986
Auto loans	31,415	34,781,613	12,100,719	46,913,747
Others	44,493,128	40,144,605	4,176,718	88,814,451
Sales contract receivables	-	3,491,830	1,679,150	5,170,980
Other receivables*	300,075	20,832,308	5,555,872	26,688,255
	P66,245,370	P185,644,180	P86,841,869	P338,731,419

** Comprised of accrued interest receivables, accounts receivables, and RCOCI*

Impairment Assessment

The Bank recognizes credit losses on financial assets at amortized cost and debt securities at FVOCI based on whether it has had a significant increase in credit risk since initial recognition. ECLs are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Liquidity Risk and Funding Management

Liquidity risk is the risk to the Bank's earnings and capital arising from its inability to meet funding requirements in a timely manner. To measure and monitor this risk, the Bank generates a report on future cash flows and liquidity on a daily basis. To ensure sufficient liquidity, the Bank has a set of internal limits incorporated in its annual budget that allocates a portion of its liabilities into cash, investment securities and other liquid assets. Concentration on a single funding source is also regularly monitored to control the Bank's reliance on a specific product or counterparty.

The Bank has available credit lines from various counterparties that it can utilize to meet sudden liquidity demands. It also maintains a portfolio of high quality liquid assets (HQLA) that can be converted to cash in a short period of time and with minimal loss incurred. This ensures compliance with Liquidity Coverage Ratio (LCR) as required by Basel III regulations. LCR checks if there is sufficient HQLA to offset short-term net outflows or short-term obligations under stressed conditions. The Bank also expands its sources of stable funds in order to support asset growth and meet the Net Stable Funding Ratio (NSFR) regulatory limit. NSFR ensures that the Bank is not overly reliant on short-term funding in funding its long-term assets. The Bank's liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating both to the market in general and to events specific to the Bank. A contingency funding plan, which covers quantitative and procedural measures, is in place and may be applied under different stress scenarios.

The Bank also manages its liquidity position through the monitoring of a Maximum Cumulative Outflow against a Board-approved limit. This process measures and estimates projected funding requirements that the Bank will need at specific time horizons.

There has been no material change to the Bank's exposure to liquidity and funding management risk or the manner in which it manages and measures the risk.

Analysis of Financial Liabilities by Remaining Contractual Maturities
The table below summarizes the maturity profile of the Bank's financial liabilities as at December 31, 2024 and 2023 based on contractual undiscounted repayment obligations (amounts in thousands).

	December 31, 2024					
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
Deposit liabilities:						
Demand	**P63,961,972**	**P -**	**P -**	**P -**	**P -**	**P63,961,972**
Savings	**45,216,717**	**78,786,958**	**1,210,133**	**-**	**-**	**125,213,808**
Time	**13,598**	**16,452,949**	**1,247,703**	**290,588**	**-**	**18,004,838**
Long-term negotiable certificates	**-**	**55,952**	**5,135,038**	**-**	**-**	**5,190,990**
Financial liabilities at FVPL	**-**	**45,214**	**-**	**-**	**-**	**45,214**
Bonds payable	**-**	**106,604**	**6,841,649**	**-**	**-**	**6,948,253**
Manager's checks	**-**	**1,414,092**	**-**	**-**	**-**	**1,414,092**
Accrued interest and other expenses*	**-**	**748,774**	**-**	**-**	**-**	**748,774**
Lease liabilities	**-**	**42,234**	**189,700**	**485,855**	**25,710**	**743,499**
Other liabilities**	**-**	**8,965,335**	**954,148**	**301,145**	**-**	**10,220,628**
Total Undiscounted Financial Liabilities	**P109,192,287**	**P106,618,112**	**P15,578,371**	**P1,077,588**	**P25,710**	**P232,492,068**

**amounts exclude accruals of employee and other benefits, taxes payable and rent*
***amounts exclude withholding tax payable, retirement liability and ECL on off-balance sheet exposures*

	December 31, 2023					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
Deposit liabilities:						
Demand	P54,569,494	P -	P -	P -	P -	P54,569,494
Savings	41,230,115	66,890,815	1,734,937	-	-	109,855,867
Time	16,157	14,695,940	1,575,014	446,877	-	16,733,988
Long-term negotiable certificates	-	55,952	170,372	5,190,990	-	5,417,314
Financial liabilities at FVPL	-	6,202	-	-	-	6,202
Bonds payable	-	93,196	7,625,657	-	-	7,718,853
Manager's checks	-	1,846,500	-	-	-	1,846,500
Accrued interest and other expenses*	-	1,047,574	-	-	-	1,047,574
Lease liabilities	-	38,696	172,936	422,940	35,149	669,721
Other liabilities**	-	951,269	2,039,295	-	290,118	3,280,682
Total Undiscounted Financial Liabilities	P95,815,766	P85,626,144	P13,318,211	P6,060,807	P325,267	P201,146,195

**amounts exclude accruals of employee and other benefits, taxes payable and rent*
***amounts exclude withholding tax payable, retirement liability and ECL on off-balance sheet exposures*

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments (amounts in thousands):

	December 31, 2024				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Commitments	**P3,866,333**	**P1,969,134**	**P13,043,118**	**P10,853,800**	**P29,732,385**
Contingent liabilities	**69,583,108**	**6,118,951**	**159,154**	**3,305,340**	**79,166,553**
	P73,449,441	**P8,088,085**	**P13,202,272**	**P14,159,140**	P**108,898,938**

	December 31, 2023				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Commitments	P3,600,977	P5,204,466	P6,350,066	P12,779,223	P27,934,732
Contingent liabilities	68,808,955	5,371,330	2,192,872	3,324,538	79,697,695
	P72,409,932	P10,575,796	P8,542,938	P16,103,761	P107,632,427

Interest Rate Risk in the Banking Book

The loans provided by the Bank to its borrowers are mostly funded by the deposits of its branch and corporate customers. The difference in the interest revenues from loans and the interest expense in servicing deposits provide the bulk of the Bank's Net Interest Income (NII). Aside from loans, interest revenue is also generated from holdings in debt securities, repurchase agreements (repo), and other interest-bearing assets. Occasionally, the Bank taps interbank loans and other sources of funding to supplement deposits, which are subject to additional interest expense.

The Bank utilizes Funds Transfer Pricing (FTP) as a mechanism to charge the asset businesses for funding (e.g., term loans, housing loans) and to compensate fund raisers (e.g., branch deposits). FTP helps units evaluate profitability and calculate returns upon deal origination. Furthermore, the FTP framework insulates them from interest rate risk. The Central Funding Unit (CFU), under the Treasury Management Group, manages the Bank's overall IRRBB. CFU is the first line of defense for both IRRBB and Liquidity Risk. While the Bank does not have intentions to hedge IRRBB via interest rate swaps in the short-term, it actively manages IRRBB by growing its sources of stable funds to match long-term assets.

The FTP policy is properly documented and is transparent to all parties. The FTP interest rates are anchored by widely-used and market-driven benchmark rates such as BVAL and BSP interest rate corridor rates for Peso; USD Secured Overnight Financing Rates and USD-denominated bonds issued by the Philippines for USD. Trends, forecasts, and adjustments to the FTP are discussed and approved in the regular ALCO meeting.

The NII, and ultimately earnings and capital, is vulnerable to adverse fluctuations in interest rates. The Bank also measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of asset-liability gap analysis on a monthly basis. This analysis focuses on the repricing profile of its rate sensitive assets and liabilities, and the impact of interest rate movements on the Bank's accrual earnings. The interest rate repricing gap report assigns all assets and liabilities into various time buckets according to the remaining days to maturity for fixed-rate items, remaining days to next re-pricing for floating-rate items, or based on behavioral assumptions, if more applicable.

The difference between the total of the repricing (interest rate-sensitive) assets and repricing (interest rate-sensitive) liabilities gives an indication of the Bank's repricing risk exposure. A positive gap means more assets mature or have to be repriced than liabilities. In this case, the Bank is said to be "asset sensitive" in that time bucket and it benefits from an increase of interest rates as the assets will be repriced faster than liabilities.

A bank with a negative gap is considered “liability sensitive” since it has more liabilities to be repriced during such period than assets. It is negatively affected by a hike in interest rates. An example would be a bank that uses short-term deposits to fund long-term loans at fixed rates. It may encounter a decline in its net interest income if the interest rates increase since the cost of funds (the deposit rates) will increase while the earnings from loans remain fixed.

RSK monitors the mismatches in the repricing of its assets and liabilities through the interest rate gap reports presented to ALCO and BROC on a monthly basis. To ensure that the Bank’s net interest income is preserved, the Bank has set a limit for the maximum repricing gap, either positive or negative, for tenors up to 1 year. These limits are reviewed annually and form part of the Bank’s risk appetite statements.

Non-maturing fixed-rate deposits or current-savings accounts (CASA) are split into three classifications: 1) stable and core deposits; 2) stable-but-non-core deposits and; 3) non-stable deposits. The volatile or non-stable portion of the non-maturing deposits/CASA is slotted in the shortest time-bucket (i.e., less than one month). Stable-but-non-core portion is slotted based on an assumed repricing approximation. Stable-and-core portion is slotted in the 3 to 5-year bucket. The IRRBB model captures the possibility of borrowers prepaying their loans and time deposit customers pre-terminating their investments. The interest rate scenario of the model simulates the impact of interest rate movements on existing loans and deposits. More (less) prepayment is expected if interest rates decline (increase), while more (less) pre-termination is expected if interest rates increase (decrease).

Earnings at risk is simulated on a monthly basis and subject to a limit approved by the Board. The report is also accompanied by stress testing with scenarios such as: 1) standard parallel yield curve shifts; 2) BSP-prescribed yield curve shifts; 3) steepening and inversion of the curves; and 4) timing mismatch in assets and liabilities repricing. Internal Audit conducts a regular validation of the IRRBB models and parameters in addition to the risk-based full scope audit of RSK, which includes a review and evaluation of the processes and controls, including governance and risk management activities.

The table below sets forth the Bank’s interest rate repricing gap as at December 31, 2024 and 2023 (amounts in millions).

	December 31, 2024								
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	Total
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P4,244	P4,244
Due from BSP	34,589	-	-	-	-	-	-	13,324	47,913
Due from other banks	-	-	-	-	-	-	-	7,268	7,268
Interbank loans receivable	-	139	-	-	-	-	-	-	139
Financial assets at FVPL	-	-	-	-	-	-	-	2,876	2,876
Financial assets at FVOCI	288	373	1,703	3,265	13,992	-	-	(547)	19,074
Investment securities at AC	500	324	683	5,750	15,112	6,053	8,589	(338)	36,673
Loans - net	41,408	26,992	14,791	14,712	11,460	17,078	5,020	2,302	133,763
Other resources	216	16	-	-	-	-	-	11,732	11,964
	P77,001	P27,844	P17,177	P23,727	P40,564	P23,131	P13,609	P40,861	P263,914
Liabilities and Equity									
Deposit liabilities:	P96,039	P12,188	P17,208	P5,776	P207	P80,590	P -	P -	P212,008
Demand deposits	11,618	-	7,323	-	-	45,021	-	-	63,962
Savings deposits	1,248	-	8,451	-	-	35,514	-	-	45,213
Time deposits	83,173	12,188	1,434	747	207	55	-	-	97,804
Long-term negotiable certificates	-	-	-	5,029	-	-	-	-	5,029
Bonds payable	-	-	-	6,534	-	-	-	-	6,534
Other liabilities	-	-	-	-	-	-	-	13,746	13,746
	96,039	12,188	17,208	12,310	207	80,590	-	13,746	232,288
Capital funds	-	-	-	-	-	-	-	31,626	31,626
	P96,039	P12,188	P17,208	P12,310	P207	P80,590	P -	P45,372	P263,914
Total periodic gap	(P19,038)	P15,656	(P31)	P11,417	P40,357	(P57,459)	P13,609	(P4,511)	P -

	December 31, 2023								
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	Total
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P3,501	P3,501
Due from BSP	8,473	-	-	-	-	-	-	15,799	24,272
Due from other banks	-	-	-	-	-	-	-	3,068	3,068
Interbank loans receivable	17,973	128	-	-	-	-	-	(2)	18,099
Financial assets at FVPL	-	-	-	-	-	-	-	399	399
Financial assets at FVOCI	243	353	1,239	2,598	6,923	-	-	(468)	10,888
Investment securities at AC	12,835	3,728	682	-	14,720	10,705	10,240	(343)	52,567
Loans - net	33,245	26,033	7,569	7,929	12,790	17,675	24	2,314	107,579
Other resources	236	33	-	-	-	-	-	9,632	9,901
	P73,005	P30,275	P9,490	P10,527	P34,433	P28,380	P10,264	P33,900	P230,274
Liabilities and Equity									
Deposit liabilities:	P71,562	P17,602	P16,618	P908	P5,343	P73,872	P -	P -	P185,905
Demand deposits	6,423	-	6,990	-	-	41,157	-	-	54,570
Savings deposits	1,037	-	7,563	-	-	32,619	-	-	41,219
Time deposits	64,102	17,602	2,065	908	314	96	-	-	85,087
Long-term negotiable certificates	-	-	-	-	5,029	-	-	-	5,029
Bonds payable	-	-	-	7,478	-	-	-	-	7,478
Other liabilities	-	-	-	-	-	-	-	7,420	7,420
	71,562	17,602	16,618	8,386	5,343	73,872	-	7,420	200,803
Capital funds	-	-	-	-	-	-	-	29,471	29,471
	P71,562	P17,602	P16,618	P8,386	P5,343	P73,872	P -	P36,891	P230,274
Total periodic gap	P1,443	P12,673	(P7,128)	P2,141	P29,090	(P45,492)	P10,264	(P2,991)	P -

The Bank manages interest rate risk separately for its RBU and FCDU books. The interest rate risk of the RBU of the Bank from its accounts is managed in PHP while the FCDU of the Bank, regardless of original currency, is managed in USD. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's results of operations and OCI:

	December 31, 2024			
Currency	**Changes in Interest Rates (In Basis Points)**	**Sensitivity of Net Interest Income (In Millions)**	**Sensitivity of Trading Gains - net on FA at FVPL (In Millions)**	**Sensitivity of OCI (In Millions)**
PHP	**200**	**P201.23**	**(P218.13)**	**(P1,553.89)**
USD	**100**	**(5.25)**	**(39.35)**	**(74.30)**
PHP	**-200**	**(201.23)**	**218.13**	**1,553.89**
USD	**-100**	**5.25**	**39.35**	**74.30**

	December 31, 2023			
Currency	Changes in Interest Rates (In Basis Points)	Sensitivity of Net Interest Income (In Millions)	Sensitivity of Trading Gains - net on FA at FVPL (In Millions)	Sensitivity of OCI (In Millions)
PHP	+200	P147.58	(P5.67)	(P960.56)
USD	+100	(0.35)	(9.43)	(79.95)
PHP	-200	(147.58)	5.67	960.56
USD	-100	0.35	9.43	79.95

The sensitivity of the results of operations is measured as the effect of the assumed changes in interest rates on the net interest income for one year based on the floating rate of financial assets and liabilities held as at December 31, 2024 and 2023.

The sensitivity of "Trading and investment securities gains (losses) - net" and OCI is calculated by revaluing fixed-rate financial assets at FVPL and debt securities at FVOCI, respectively, as at December 31, 2024 and 2023. The total sensitivity of OCI is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

Market Risk

Market risk arises from the potential decline in earnings and capital due to adverse changes in market conditions and the underlying risk factors, which in turn affect the value and future cash flows of financial instruments, products, and transactions. The Bank is primarily exposed to two sources of market risk, namely: 1) market price risk in the trading book; and 2) foreign exchange risk from open foreign currency exposures. The Bank also has equity-related holdings which is a source of equity price risk, although deemed as minimal compared to the first two.

There has been no material change to the Bank's exposure to market risk or the manner in which it manages and measures the risk.

Market Price Risk in the Trading Book

The market price of financial instruments and transactions in the trading book may change unfavorably as a result of movements in interest rates, foreign exchange rates, credit spreads, and other risk factors. The Bank employs an internally developed VAR model, along with other sensitivity metrics, to measure and monitor the probable deterioration in the market value of its trading portfolio. The Bank's RSK simulates the trading book's VAR on a daily basis and the results are compared against Board-approved limits. In addition to the limit on VAR, the trading portfolio is also subject to limits on aggregate exposures, sensitivity metrics, monthly and yearly losses.

Value-at-Risk Methodology

VAR serves as the Bank's key metric in the measurement of risk arising from market price changes of financial assets and foreign currency exposures. Given data for the market risk factors over a 1-year period (260 business days), VAR is the maximum probable loss that may be incurred from positions exposed to market risk. The maximum probable loss is calculated from simulations of daily profit and losses assuming that historical movements in market risk factors will recur, subject to a 99% confidence level and a 1-day holding period.

The Bank's VAR methodology is based on the widely used historical simulation method but with a modification on the usual assumption of equal probabilities in the simulation data points. Profit and loss simulations derived from older data are given less importance by assigning them with progressively lower probabilities of occurrence when used in the calculation of the maximum probable loss.

The table below summarizes the results of the Bank's VAR calculations as at December 31, 2024 and 2023.

	FX Exposures	HFT Securities	FVOCI Securities	Aggregate VAR
2024				
As at December 31, 2024	**P1,055,981**	**P19,972,845**	**P96,351,049**	**P117,379,875**
Average	**1,802,516**	**16,829,705**	**84,843,456**	**103,396,074**
Highest	**9,892,421**	**37,504,367**	**138,826,273**	**169,508,195**
Lowest	**235,676**	**564,953**	**38,889,755**	**39,831,044**
2023				
As at December 31, 2023	P1,950,756	P1,471,726	P50,010,354	P53,432,836
Average	1,618,958	2,794,146	51,444,695	54,952,559
Highest	7,728,518	9,254,465	67,024,351	69,553,970
Lowest	268,678	78,190	39,722,601	41,246,030

Currency Risk

The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Bank believes that its profile of foreign currency exposure based on its assets and liabilities is within conservative limits for a financial institution engaged in a type of business similar to that of the Bank.

Foreign currency deposits are generally used to fund the foreign currency-denominated loan and investment portfolios in the FCDU. Banks are required by BSP to match the foreign currency liabilities held in the FCDU with foreign currency assets. In addition, BSP requires a 30.0% liquidity reserve on all foreign currency liabilities held in the FCDU.

Similar to market price risk in the trading book, the Bank employs limits and a VAR model to manage the risk that possible interest or currency movements pose. Such limits are prudently set and the position status is monitored on a daily basis.

The table below summarizes the Bank's exposure to foreign exchange risk as at December 31, 2024 and 2023. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency (based on USD equivalents in thousands):

	December 31, 2024			
	USD	**Euro**	**Others**	**Total**
Assets				
Cash	**$ -**	**$33**	**$1,838**	**$1,871**
Due from other banks	**179**	**407**	**284**	**870**
Interbank loans	**4,699**	**-**	**-**	**4,699**
Loans and receivables	**1,582**	**-**	**-**	**1,582**
Total Assets	**6,460**	**440**	**2,122**	**9,022**
Liabilities				
Deposit liabilities	**-**	**817**	**8**	**825**
Other liabilities	**1,468**	**78**	**16**	**1,562**
Total Liabilities	**1,468**	**895**	**24**	**2,387**
Net Exposure	**$4,992**	**($455)**	**$2,098**	**$6,635**
Amount in PHP	**P288,762**	**(P26,319)**	**P121,359**	**P383,802**

	December 31, 2023			
	USD	Euro	Others	Total
Assets				
Cash	$ -	$47	$1,870	$1,917
Due from other banks	1,065	1,188	822	3,075
Interbank loans	3,550	-	-	3,550
Financial assets at FVPL	-	1,747	-	1,747
Loans and receivables	1,950	20	-	1,970
Total Assets	6,565	3,002	2,692	12,259
Liabilities				
Deposit liabilities	-	736	2	738
Other liabilities	1,028	73	2	1,103
Total Liabilities	1,028	809	4	1,841
Net Exposure	$5,537	$2,193	$2,688	$10,418
Amount in PHP	P306,584	P121,426	P148,835	P576,845

The table below indicates the currencies which the Bank has significant exposure to as at December 31, 2024 and 2023 based on its foreign currency-denominated assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of other currency rates against the PHP, with all other variables held constant on the results of operations (due to the fair value of currency sensitive monetary assets and liabilities) and OCI. A negative amount in the table reflects a potential net reduction of net income or OCI while positive amount reflects a net potential increase. Changes in currency rates are based on the historical movements of each currency for the same period:

	Philippine Peso Appreciates by	**Effect on Profit before Tax (In Millions)**	**Philippine Peso Depreciates by**	**Effect on Profit before Tax (In Millions)**
December 31, 2024				
Currency:				
USD	**P1.00**	**(P4.99)**	**(P1.00)**	**P4.99**
Euro	**0.50**	**0.23**	**(0.50)**	**(0.23)**
Others	**0.40**	**(0.84)**	**(0.40)**	**0.84**

	Philippine Peso Appreciates by	Effect on Profit before Tax (In Millions)	Philippine Peso Depreciates by	Effect on Profit before Tax (In Millions)
December 31, 2023				
Currency:				
USD	P1.00	(P5.54)	(P1.00)	P5.54
Euro	0.50	(1.10)	(0.50)	1.10
Others	0.40	(1.08.)	(0.40)	1.08

Given the nature and amount of the Bank's equity investments portfolio in 2024 and 2023, management believes the Bank's exposure to currency risk is considered minimal.

Equity Price Risk
Given the nature and amount of the Bank's equity investments portfolio in 2024 and 2023, management believes the Bank's exposure to equity price risk is considered minimal.

6. Categories and Fair Value Measurement

The methods and assumptions used by the Bank in estimating the fair values of financial and non-financial assets and liabilities are as follows:

COCI, Due from BSP and Other Banks and Interbank Loans Receivable and SPURA - Fair values approximate carrying amounts given the short-term nature of the instruments.

Debt Securities (Financial Assets at FVPL, Financial Assets at FVOCI, and Investment Securities at Amortized Cost) - Fair values are generally based on quoted market prices. If not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using discounted cash flow methodology.

Equity Securities (Financial Assets at FVOCI) - Fair values are determined based on market prices quoted in an established exchange, or on published quotes by accredited brokers.

Derivative Instruments (Financial Assets and Financial Liabilities at FVPL) - Fair values are determined based on published quotes or price valuations provided by counterparties or calculations using market-accepted valuation techniques.

Loans and Receivables - The estimated fair values of long-term receivables from customers and sales contract receivables are equal to the estimated future cash flows expected to be received which are discounted using current market rates (i.e., BVAL and USD Secured Overnight Financing Rates). Fair value of short-term receivable from customers, sales contract receivables, accounts receivables, accrued interest receivables, and RCOCI approximates carrying amounts given the short-term nature of the accounts.

Investment Properties - Fair value is determined based on valuations performed by external and in-house appraisers using the market data approach. Valuations are derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining the fair values include the following:

Location	Location of comparative properties whether on a main road or secondary road. Road width could also be a consideration if data is available. As a rule, properties along a main road are superior to properties along a secondary road.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable confirms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time, in which case, the current date is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Deposit Liabilities - Fair values of long-term time deposits are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate (i.e., BVAL and USD Secured Overnight Financing Rates) and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term time deposits approximate fair value. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable.

Bonds and Bills Payable - For long-term bonds and bills payable, fair values are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate (i.e., BVAL and USD Secured Overnight Financing Rate and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term bonds and bills payable approximate fair value.

Manager's Checks, Accrued Interest and Other Expenses and Other Liabilities (excluding non-financial liabilities) - Carrying amounts approximate fair values due to the short-term nature of the accounts. Due to preferred shareholders is determined to be long term in nature due to a pending dispute which affects maturity. Fair value cannot be estimated reliably due to lack of available supportable data.

The following table provides the fair value hierarchy of the Bank's assets and liabilities measured at fair value and those for which fair values should be disclosed (amounts in thousands):

	December 31, 2024				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL:					
Government securities held for trading	**P2,782,361**	**P2,240,777**	**P541,584**	**P -**	**P2,782,361**
Derivative assets	**63,717**	**-**	**63,717**	**-**	**63,717**
Private debt securities	**29,556**	**-**	**-**	**29,556**	**29,556**
Financial assets at FVOCI:					
Government securities	**19,036,827**	**4,092,577**	**14,944,250**	**-**	**19,036,827**
Equity securities	**41,807**	**2,400**	**-**	**39,407**	**41,807**
	P21,954,268	**P6,335,754**	**P15,549,551**	**P68,963**	**P21,954,268**
Liabilities Measured at Fair Value					
Financial Liabilities					
Derivative liabilities	**P45,214**	**P -**	**P45,214**	**P -**	**P45,214**
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost:					
Government securities	**P34,461,471**	**P6,544,301**	**P26,949,415**	**P -**	**P33,493,716**
Private debt securities	**2,150,197**	**265,575**	**1,715,331**	**-**	**1,980,906**
Loans and receivables:					
Receivables from customers	**133,829,158**	**-**	**-**	**136,682,790**	**136,682,790**
Less unearned interest	**67,358**	**-**	**-**	**67,358**	**67,358**
	133,761,800	**-**	**-**	**136,615,432**	**136,615,432**
Sales contract receivables	**278,434**	**-**	**-**	**291,899**	**291,899**
	170,651,902	**6,809,876**	**28,664,746**	**136,907,331**	**172,381,953**
Non-financial Assets					
Investment properties	**3,992,770**	**-**	**-**	**10,656,631**	**10,656,631**
	P174,644,672	**P6,809,876**	**P28,664,746**	**P147,563,962**	**P183,038,584**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities:					
Time	**P17,916,073**	**P -**	**P17,898,536**	**P -**	**P17,898,536**
Long-term negotiable certificates	**5,029,420**	**-**	**5,029,420**	**-**	**5,029,420**
Bonds payable	**6,534,448**	**-**	**6,569,750**	**-**	**6,569,750**
	P29,479,941	**P -**	**P29,497,706**	**P -**	**P29,497,706**

	December 31, 2023				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL:					
Government securities held for trading	P180,603	P61,208	P119,395	P -	P180,603
Private debt securities	190,505	-	-	190,505	190,505
Derivative assets	27,685	-	27,685	-	27,685
Financial assets at FVOCI:					
Government securities	10,850,048	4,088,139	6,761,909	-	10,850,048
Equity securities	193,757	155,300	-	38,457	193,757
	P11,442,598	P4,304,647	P6,908,989	P228,962	P11,442,598
Liabilities Measured at Fair Value					
Financial Liabilities					
Derivative liabilities	P6,202	P -	P6,202	P -	P6,202
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost:					
Government securities	P50,305,668	P20,087,916	P28,833,159	P -	P48,921,075
Private debt securities	2,165,435	343,612	1,629,236	-	1,972,848
Loans and receivables:					
Receivables from customers	107,624,342	-	-	110,630,437	110,630,437
Less unearned interest	45,388	-	-	45,388	45,388
	107,578,954	-	-	110,585,049	110,585,049
Sales contract receivables	331,532	-	-	345,450	345,450
	160,381,589	20,431,528	30,462,395	110,930,499	161,824,422
Non-financial Assets					
Investment properties	3,676,126	-	-	10,514,333	10,514,333
	P164,057,715	P20,431,528	P30,462,395	P121,444,832	P172,338,755
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities:					
Time	P16,638,541	P -	P16,609,959	P -	P16,609,959
Long-term negotiable certificates	5,029,420	-	4,909,268	-	4,909,268
Bonds payable	7,478,265	-	7,500,000	-	7,500,000
	P29,146,226	P -	P29,019,227	P -	P29,019,227

In 2024 and 2023, due to changes in market conditions for certain government securities measured at FVOCI, quoted prices in active markets were not available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities at FVPL and FVOCI, with carrying amounts of P0.5 million and P4.8 billion, respectively, in 2024 and nil and P327.4 million, respectively, in 2023 were transferred from Level 1 to Level 2 of the fair value hierarchy.

In 2024, securities at FVPL and FVOCI, with carrying amount of P141.6 million and P56.6 million, respectively, were transferred from Level 2 to Level 1 of the fair value hierarchy since quoted prices in active markets were already available. In 2023, securities at FVOCI, with carrying amounts of P394.3 million, were transferred from Level 2 to Level 1 of the fair value hierarchy.

In 2024 and 2023, there have been no transfers into and out of Level 3 of the fair value hierarchy.

An instrument in its entirety is classified as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived. The fair value of the Level 3 instruments is based on cost which approximates its fair value.

The carrying values of the financial assets and liabilities not included in the fair value hierarchy table shown above approximate their respective fair values as at December 31, 2024 and 2023.

7. Segment Reporting

The Bank's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit. Operating segments are reported in accordance with internal reporting to SET who is responsible for allocating resources to the segments and assessing their performance. Segment performance is evaluated based on net income before provision/reversal of credit and impairment losses, share in net loss of an associate, and income tax expense. The Bank's business segments follow:

Treasury Management Group - principally provides money market, trading and treasury services, as well as management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks.

Corporate Banking Group - principally handles loans and other credit facilities for corporate institutional, and middle market clients.

Branch Banking Group - principally supervises customers' deposits and offers standard customer transactional services through the branch network.

Consumer Group - principally manages home, automobile, and salary loans for individual customers.

Others - includes but not limited to Credit Cards, Transaction Banking, Investment Banking, Trust, and Acquired Assets. Other operations of the Bank also include operations and financial control groups.

Segment assets and liabilities comprise operating assets and liabilities, including borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment. Transactions between the business segments are carried out at arm's length. The Bank uses an Internal Funds Transfer Pricing rate to allocate the cost of funds or to recognize internal revenue for deposit takers. The Bank has no significant customers which contributes 10.00% or more of the Bank's revenue net of interest expense. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The segment information of the Bank for the years ended December 31, 2024, 2023 and 2022 for statements of income items, and as at December 31, 2024 and December 31, 2023 for statements of financial position items follow (amounts in millions):

	December 31, 2024					
	Treasury Management Group	**Corporate Banking Group**	**Branch Banking Group**	**Consumer Group**	**Others**	**Total**
Statement of Income						
Net interest income:						
Third party	**P2,976**	**P8,060**	**(P3,209)**	**P1,100**	**P184**	**P9,111**
Intersegment	**(1,469)**	**(6,661)**	**8,449**	**(824)**	**505**	**-**
Net interest income	**1,507**	**1,399**	**5,240**	**276**	**689**	**9,111**
Non-interest income	**124**	**42**	**83**	**54**	**1,342**	**1,645**
Total revenues	**1,631**	**1,441**	**5,323**	**330**	**2,031**	**10,756**
Compensation and fringe benefits	**24**	**35**	**572**	**73**	**1,934**	**2,638**
General and administrative expenses	**74**	**19**	**1,217**	**46**	**1,584**	**2,940**
Taxes and licenses	**206**	**348**	**455**	**63**	**23**	**1,095**
Total expenses	**304**	**402**	**2,244**	**182**	**3,541**	**6,673**
Income (losses) before provision for credit losses and income tax expense	**P1,327**	**P1,039**	**P3,079**	**P148**	**(P1,510)**	**P4,083**
Provision for credit and impairment losses						**P139**
Share in net loss of an associate						**1**
Income tax expense						**918**
Net income						**P3,025**
Other Segment Information						
Capital expenditures	**P3**	**P6**	**P67**	**P8**	**P292**	**P376**
Depreciation and amortization	**P4**	**P4**	**P86**	**P8**	**P521**	**P623**

	December 31, 2024					
	Treasury Management Group	**Corporate Banking Group**	**Branch Banking Group**	**Consumer Group**	**Others**	**Total**
Statement of Financial Position						
Total assets	**P96,833**	**P121,696**	**P21,561**	**P15,249**	**P10,101**	**P265,440**
Total liabilities	**9,284**	**353**	**211,233**	**160**	**11,180**	**232,210**

	December 31, 2023					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P2,908	P7,049	(P2,707)	P958	P88	P8,296
Intersegment	(2,269)	(5,723)	7,021	(662)	1,633	-
Net interest income	639	1,326	4,314	296	1,721	8,296
Non-interest income	140	73	96	52	1,318	1,679
Total revenues	779	1,399	4,410	348	3,039	9,975
Compensation and fringe benefits	23	33	668	77	1,468	2,269
General and administrative expenses	137	17	1,078	47	1,548	2,827
Taxes and licenses	197	314	425	60	67	1,063
Total expenses	357	364	2,171	184	3,083	6,159
Income (losses) before provision for credit losses and income tax expense	P422	P1,035	P2,239	P164	(P44)	P3,816
Provision for credit and impairment losses						P79
Share in net loss of an associate						1
Income tax expense						934
Net income						P2,802
Other Segment Information						
Capital expenditures	P6	P8	P156	P3	P226	P399
Depreciation and amortization	P4	P4	P59	P7	P415	P489

	December 31, 2023					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Financial Position						
Total assets	P89,494	P96,924	P23,438	P13,022	P8,790	P231,668
Total liabilities	6,344	48	187,210	134	7,081	200,817

	December 31, 2022					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P2,171	P4,448	(P880)	P896	P47	P6,682
Intersegment	(1,602)	(3,157)	5,306	(542)	(5)	-
Net interest income	569	1,291	4,426	354	42	6,682
Non-interest income	116	154	89	40	1,035	1,434
Total revenues	685	1,445	4,515	394	1,077	8,116
Compensation and fringe benefits	20	28	620	68	1,236	1,972
General and administrative expenses	59	15	1,045	37	1,423	2,579
Taxes and licenses	143	215	433	52	90	933
Total expenses	222	258	2,098	157	2,749	5,484
Income (losses) before provision for credit losses and income tax expense	P463	P1,187	P2,417	P237	(P1,672)	P2,632
Provision for credit and impairment losses						P166
Share in net loss of an associate						-
Income tax expense						666
Net income						P1,800
Other Segment Information						
Capital expenditures	P6	P6	P57	P7	P86	P162
Depreciation and amortization	P4	P3	P53	P7	P365	P432

Non-Interest income consists of trading and investment securities gains (losses), service charges, fees and commissions, foreign exchange gains, gain on foreclosure, and sale of property and equipment and foreclosed assets and miscellaneous income.

General and administrative expenses consist of rent and utilities, depreciation and amortization, insurance, service fees and commissions, subscription fees, entertainment and recreation, management and professional fees, amortization of software costs and miscellaneous expense.

8. Interbank Loans Receivable and Securities Purchased under Resale Agreements

This account consists of:

	Note	**2024**	2023
Interbank loans receivable		**P3,587,849,088**	P2,141,147,187
SPURA		**-**	17,973,348,893
		3,587,849,088	20,114,496,080
Less allowance for credit losses	*17*	**484,360**	2,715,457
		P3,587,364,728	P20,111,780,623

Interbank loans receivable consists of short-term loans granted to other banks.

SPURA represents overnight lending placements with the BSP where the underlying securities cannot be sold or re-pledged to parties other than the BSP.

Interest income on SPURA and interbank loans receivable follows:

	2024	2023	2022
SPURA	**P430,247,101**	P746,318,560	P475,286,408
Interbank loans receivable	**111,800,877**	129,387,516	63,872,487
	P542,047,978	P875,706,076	P539,158,895

SPURA bears interest rates ranging from 5.9% to 6.7% in 2024, from 5.5% to 6.4% in 2023 and from 2.0% to 5.5% in 2022.

Peso-denominated interbank loans receivable bear interest rates ranging from 5.8% to 6.6% in 2024, from 5.5% to 6.5% in 2023 and from 1.8% to 5.0% in 2022. Dollar-denominated interbank loans receivable bear interest rates ranging from 4.2% to 5.8%, from 3.0% to 5.6%, and from 0.5% to 3.8% in 2024, 2023 and 2022, respectively.

9. Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial assets at FVPL consist of:

	2024	2023
Government securities held-for-trading	**P2,782,360,563**	P180,602,626
Derivative assets	**63,717,369**	27,685,000
Private debt securities	**29,555,862**	190,504,814
	P2,875,633,794	P398,792,440

Private debt securities pertain to investment in MRT III bonds that does not qualify as SPPI, thus, mandatorily classified and measured as financial assets at FVPL.

As at December 31, 2024, 2023, and 2022, financial assets at FVPL are adjusted for unrealized loss of P1.0 million and unrealized gain of P22.8 million and P3.0 million, respectively (see Note 28).

Derivative Financial Instruments

This includes warrants amounting to $0.05 million acquired by the Bank in June 2008. The warrants give the Bank the option or right to exchange its holding of certain Republic of the Philippines Global Bonds into peso-denominated government securities upon occurrence of a predetermined credit event. The warrants will mature in November 2032.

Forward swaps refer to spot purchase or sale of one currency against another with an offsetting agreement to sell or purchase the same currency at an agreed forward rate in the future. As at December 31, 2024, these pertain to 13 contracts with notional amount of $5 million each and three contracts with notional amount of $10 million each. As at December 31, 2023, these pertain to two contracts with notional amount of $1.0 million each, two contracts with notional amount of $5.0 million each and two contracts with notional amount of $10.0 million each.

The table below shows the fair values of derivative financial instruments entered into by the Bank, recorded as derivative assets or derivative liabilities, together with the notional amount. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amount indicates the volume of transactions outstanding as at December 31, 2024 and 2023 and is not indicative of either market risk or credit risk.

	December 31, 2024		December 31, 2023	
	Derivative Assets	**Notional Amount**	Derivative Assets	Notional Amount
Freestanding derivatives:				
Forwards	**P34,794,869**	**$50,000,000**	P -	$ -
Warrants	**28,922,500**	**50,000**	27,685,000	50,000
	P63,717,369	**$50,050,000**	P27,685,000	$50,000

	December 31, 2024		December 31, 2023	
	Derivative Liabilities	**Notional Amount**	Derivative Liabilities	Notional Amount
Freestanding derivatives:				
Forwards	**P45,214,075**	**$45,000,000**	P6,201,649	$32,000,000

10. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	2024	2023
Government securities	**P19,036,826,434**	P10,850,047,722
Equity securities	**41,807,401**	193,757,106
	P19,078,633,835	P11,043,804,828

As at December 31, 2024 and 2023, the ECL allowance on debt securities at FVOCI included under "Net unrealized losses on financial assets at FVOCI" amounted to P1.9 million and P1.1 million, respectively (see Note 17).

Equity Securities
This account consists of ordinary shares from a foreign financial institution and a telecommunications company and club shares. The Bank has designated these equity securities at FVOCI as these are held for medium or long-term strategic investments rather than for trading.

Equity securities include the Bank's 3.07% equity interest in Banco National de Guinea Equatorial (BANGE) as part of its partnership with the National Government of the Republic of Equatorial Guinea. The carrying amount of the equity securities amounted to P19.1 million and P19.4 million, respectively, as at December 31, 2024 and 2023. Dividend income received from BANGE in 2024 and 2023 amounted to P2.5 million and P4.0 million, respectively, booked under "Miscellaneous Income" in the statements of income (see Note 31). No dividend was received from BANGE in 2022.

In 2024, 2023, and 2022, the Bank disposed club shares with carrying value of P98.7 million, P0.9 million, and P0.8 million, respectively, and transferred to "Retained earnings" account the realized gain of P82.3 million, P7.5 million, and P0.3 million in 2024, 2023, and 2022, respectively, in order to achieve the bank's strategy to derecognize from the books club shares that were no longer in use.

Dividend income from equity securities at FVOCI amounted to P3.9 million, P5.6 million, and P1.6 million in 2024, 2023, and 2022, respectively (see Note 31).

Net Unrealized Losses on Financial Assets at FVOCI
The movements of net unrealized gains (losses) on financial assets at FVOCI follow:

	Note	**2024**	2023	2022
Balance at beginning of year		**(P421,192,531)**	(P730,966,925)	(P156,154,761)
Net unrealized gains (losses) recognized as OCI		**(29,535,641)**	324,174,117	(574,495,027)
Realized gains taken to profit or loss	*28*	**(1,623,076)**	(6,964,361)	-
Effect of tax	*32*	**(946,234)**	(363,597)	-
ECL on debt securities at FVOCI	*17*	**838,797**	455,690	(27,137)
Net change in unrealized gains (losses) recorded in OCI		**(31,266,154)**	317,301,849	(574,522,164)
Realized gains taken to retained earnings		**(82,303,000)**	(7,527,455)	(290,000)
Balance at end of year		**(P534,761,685)**	(P421,192,531)	(P730,966,925)

11. Investment Securities at Amortized Cost

This account consists of:

	Note	**2024**	2023
Government securities		**P34,465,484,615**	P50,311,649,891
Private debt securities	*33*	**2,150,432,619**	2,165,662,758
		36,615,917,234	52,477,312,649
Less allowance for credit losses	*17*	**4,248,853**	6,209,355
		P36,611,668,381	P52,471,103,294

No investment securities at amortized cost were sold in 2024, 2023 and 2022.

12. Loans and Receivables

This account consists of:

	Note	**2024**	2023
Receivables from customers:			
Term loans		**P102,819,507,055**	P81,196,871,925
Agri-agra loans		**13,757,055,407**	11,681,545,957
Housing loans		**9,564,719,568**	8,454,302,941
Auto loans		**5,079,022,446**	4,123,415,068
Bills purchased, import bills and trust receipts	*22*	**1,227,464,415**	1,050,698,899
Direct advances		**364,009,899**	577,211,848
Others		**2,668,785,562**	2,368,875,299
		135,480,564,352	109,452,921,937
Less unearned interest income		**67,358,184**	45,387,843
		135,413,206,168	109,407,534,094
Accounts receivable		**1,573,836,315**	1,055,139,512
Accrued interest receivable:			
Loans and receivables		**1,065,846,459**	946,846,228
Trading and investment securities		**665,093,026**	483,609,311
Due from BSP and other banks		**20,766,667**	4,357,778
Interbank loans receivable and SPURA		**2,181,497**	8,257,598
Sales contract receivables		**334,864,748**	388,560,627
Unquoted debt securities		**291,578,217**	291,578,212
RCOCI		**5,152,412**	93,452
		139,372,525,509	112,585,976,812
Less allowance for credit losses	*17*	**2,867,185,128**	3,019,800,493
		P136,505,340,381	P109,566,176,319

Bills purchased, import bills and trust receipts include bills purchased with contra account in “Bills purchased - contra” under “Other Liabilities” in the statements of financial position amounting to P0.8 billion and P1.0 billion as at December 31, 2024 and 2023, respectively (see Notes 22 and 33). Bills purchased - contra represents liabilities arising from the outright purchases of checks due for clearing as a means of immediate financing offered by the Bank to its clients.

Other receivables from customers pertain to consumer loans such as benefit loans, salary loans, and credit cards.

Accounts receivable mainly consist of amounts due from customers and other parties under open-account arrangements, advances for buyers of foreclosed properties, receivables from employees and other miscellaneous receivables.

Sales contract receivables arise mainly from the sale of foreclosed properties booked under “Investment properties” accounts.

On March 25, 2020, Republic Act (RA) No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1") was enacted. Bayanihan 1 provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest falling due within the enhanced community quarantine period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, RA No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2"), was enacted. Under Bayanihan 2, a one-time 60-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interest, penalties, fees and other charges, thereby extending the maturity of the said loans.

Based on the Bank's assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets. The impact of loan modifications amounted to a loss of P29.6 million in 2020. In 2024, 2023 and 2022, accretion of loan modification that were recorded in "Interest income" in the statements of income amounted to P2.4 million, P3.4 million, and P5.1 million, respectively.

BSP Regulatory Reporting

As at December 31, 2024 and 2023, the breakdown of receivables from customers as to collateral follows (amounts in thousands, except percentages):

	2024		2023	
	Amount	**%**	Amount	%
Loans secured by:				
Real estate	**P14,346,526**	**10.6**	P6,564,727	6.0
Deposit hold-out	**4,968,854**	**3.7**	5,194,467	4.8
Continuing surety agreement	**4,761,602**	**3.5**	4,306,977	3.9
Deed of pledge	**4,552,022**	**3.4**	7,983,973	7.3
Chattel	**2,267,390**	**1.7**	2,280,780	2.1
Deed of assignment	**1,521,330**	**1.1**	1,362,971	1.2
Corporate guaranty	**1,079,000**	**0.8**	1,331,763	1.2
Others*	**20,975,312**	**15.4**	31,992,124	29.2
	54,472,036	**40.2**	61,017,782	55.7
Unsecured	**81,008,528**	**59.8**	48,435,140	44.3
	P135,480,564	**100.0**	P109,452,922	100.0

**Others include post-dated checks and various collaterals on omnibus loan and security agreement*

As at December 31, 2024 and 2023, information on the concentration of credit as to industry follows (amounts in thousands, except percentages):

	2024		2023	
	Amount	**%**	Amount	%
Electricity, gas, steam, and air-conditioning supply	**P45,497,015**	**33.6**	P39,122,670	35.8
Real estate activities	**25,014,466**	**18.5**	18,848,608	17.2
Construction	**12,386,390**	**9.1**	11,705,416	10.7
Manufacturing	**11,196,631**	**8.3**	10,917,610	10.0
Financial and insurance activities	**7,176,445**	**5.3**	2,554,721	2.3
Wholesale and retail trade, repair of motor vehicles and motorcycles	**7,043,723**	**5.2**	5,957,919	5.4
Information and communication	**5,792,384**	**4.3**	4,973,415	4.6
Agriculture, forestry and fishing	**3,871,709**	**2.8**	1,898,948	1.7
Accommodation and food service activities	**3,151,640**	**2.3**	1,549,064	1.4
Transportation and storage	**2,874,147**	**2.1**	1,328,555	1.2
Mining and quarrying	**1,966,730**	**1.5**	1,882,580	1.7
Water supply, sewerage, waste management and remediation activities	**1,324,212**	**1.0**	1,380,895	1.3
Administrative and support service activities	**206,588**	**0.1**	541,078	0.5
Others*	**7,978,484**	**5.9**	6,791,443	6.2
	P135,480,564	**100.0**	P109,452,922	100.0

**Others include Professional Activities, Education, Personal Consumption and other various activities*

BSP considers that concentration of credit risk exists when the total loan exposure to a particular industry or economic sector exceeds 30.0% of total loan portfolio or 10.0% of Tier 1 capital.

As at December 31, 2024 and 2023, the table above includes one industry group (electricity, gas, steam and air-conditioning supply) above the 30.0% of the total loan portfolio. However, the Bank has internal sub-classifications for renewable and non-renewable energy under electricity and power industry with separate limits (for renewable energy- 25.0% of the total loan portfolio, non-renewable energy- 30.0%). Existing exposures as at December 31, 2024 and 2023 for this industry are within the acceptable levels. As at December 31, 2024, existing exposures for renewable energy and non-renewable energy were at 12.0% and 21.6%, respectively, of the total loan portfolio. As at December 31, 2023, existing exposures for renewable energy and non-renewable energy were at 14.9% and 20.8%, respectively, of the total loan portfolio.

As at December 31, 2024, 10.0% of the Tier 1 capital amounted to P3.0 billion and the table above includes the nine industry groups (Electricity, gas, steam and air-conditioning supply, Real estate activities, Construction, Manufacturing, Financial and insurance activities, Wholesale and retail trade, repair of motor vehicles and motorcycles, Information and communications, Agriculture, forestry and fishing and Accommodation and food service activities) exceeding this level as of that date.

The table also includes the six industry groups (Electricity, gas, steam and air-conditioning supply, Real estate activities, Manufacturing, Construction, Wholesale and retail trade, repair of motor vehicles and motorcycles and Information and communications) above the 10.0% of Tier 1 capital (P2.7 billion) as at December 31, 2023.

The BROC and CRECOM constantly monitor these credit risk concentrations to ensure these are within the risk appetite of the Bank. Limits are set to allow SET to highlight any possible issues and to actively direct loans to preferred industries when faced with emerging concentration and potential industry decline.

Under BSP Circular No. 941, *Amendments to the Regulations on Past Due and Non-Performing Loans,* loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

As at December 31, 2024 and 2023, the breakdown of receivables from customers as to status, is as follows (amounts in thousands):

	December 31, 2024		
	Performing	**Non-performing**	**Total**
Corporate	**P116,539,281**	**P756,163**	**P117,295,444**
Consumers	**14,762,658**	**644,052**	**15,406,710**
Credit card	**1,537,700**	**248,451**	**1,786,151**
Others	**879,277**	**45,624**	**924,901**
	P133,718,916	**P1,694,290**	**P135,413,206**

	December 31, 2023		
	Performing	Non-performing	Total
Corporate	P92,720,144	P782,498	P93,502,642
Consumers	12,359,497	911,470	13,270,967
Credit card	1,361,326	217,212	1,578,538
Others	1,004,755	50,632	1,055,387
	P107,445,722	P1,961,812	P109,407,534

As at December 31, 2024 and 2023, the NPLs of the Bank, as reported to BSP, are as follows (in thousands):

	2024	2023
Gross NPLs	**P1,694,290**	P1,961,812
Less deductions as required by BSP	**1,027,873**	1,394,550
Net NPLs	**P666,417**	P567,262

Gross and net NPL ratios of the Bank are 1.25% and 0.49%, respectively, as at December 31, 2024 and 1.54% and 0.44%, respectively, as at December 31, 2023.

As at December 31, 2024 and 2023, restructured loans amounted to P0.9 billion and P1.0 billion, respectively. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs. As at December 31, 2024 and 2023, restructured receivables from customers considered as NPLs amounted P668.2 million and P456.9 million, respectively.

On March 14, 2020, the BSP issued BSP Memorandum No. M-2020-008 Regulatory Reliefs for BSP-supervised financial institutions Affected by the COVID-19, as amended by M-2020-0032 dated April 27, 2020 and M-2020-0022 dated April 8, 2020. The said memorandum provides for certain temporary regulatory relief measures for financial institutions supervised by the BSP, as follows:

- Staggered booking of allowance for credit losses over a maximum of five years for all types of credits extended to individuals and businesses directly affected by COVID-19 as of March 8, 2020, subject to prior approval of the BSP;

- Exclusion from the computation of past due and non-performing classification, the loans by borrowers in affected areas which should have been reclassified as past due as of March 8, 2020, including those loans becoming past due or non-performing six months thereafter, subject to the following: (a) such loans shall be reported to the BSP; (b) the exclusion shall be allowed from March 8, 2020 until December 31, 2021; and (c) BSP documentary requirements for restructuring of loans may be waived provided that the Bank will adopt appropriate and prudent operational control measures;

- Non-imposition of monetary penalties for delays incurred in the submission of all supervisory reports to BSP due to be submitted from March 8, 2020 up to six months thereafter;

- Non-imposition of penalties on legal reserve deficiencies computed under Section 255 of the MORB starting from reserve week following March 8, 2020 up to six months thereafter, subject to prior approval of the BSP;

- Increase in the Single Borrower's Limit from 25.0% to 30.0% until March 31, 2021;

- Allowance of (a) loans to Micro, Small and Medium Enterprises and (b) loans to critically-impacted large enterprises as alternative mode of compliance with reserve requirements until December 31, 2021; and

- Provision of financial assistance to officers affected by the present health emergency, for the grant of loans, advances or any other forms of credit accommodations, subject to the submission by the Bank of a request for BSP approval within 30 calendar days from the approval thereof of the BOD.

As of December 31, 2024 and 2023, there has been no availment of the reliefs provided by BSP.

Interest Income on Loans and Receivables
This account consists of:

	2024	2023	2022
Receivables from customers:			
Term loans	**P6,855,178,084**	P6,145,776,140	P4,258,299,628
Agri-agra loans	**1,117,870,332**	817,533,328	117,546,235
Housing loans	**640,753,034**	566,980,066	533,304,245
Auto loans	**361,304,335**	297,279,192	247,631,545
Direct advances	**14,761,046**	18,960,417	15,944,868
Bills purchased, import bills and trust receipts	**6,355,704**	1,704,583	5,908,431
Others	**407,824,691**	371,451,465	264,901,980
	9,404,047,226	8,219,685,191	5,443,536,932
Sales contract receivable	**24,489,114**	24,987,312	21,691,954
	P9,428,536,340	P8,244,672,503	P5,465,228,886

**Others pertain to interest income from consumer loans such as benefit loans, salary loans, and credit cards.*

As at December 31, 2024, 2023, and 2022, 63.5%, 60.3%, and 55.7%, respectively, of the total receivables from customers were subject to periodic interest repricing.

Peso-denominated loans earn annual fixed interest rates ranging from 2.8% to 28.8% in 2024, from 2.5% to 28.8% in 2023, and from 1.6% to 54.0% in 2022. Dollar-denominated loans earn annual fixed interest rates ranging from 3.5% to 8.8% in 2024, from 3.5% to 9.8% in 2023, and 3.3% to 8.7% in 2022.

Sales contract receivables bear fixed interest rates ranging from 5.3% to 11.6% in 2024, 2023, and 2022.

13. Investment in an Associate

The movements in Bank's equity investment in BIC follow:

	Note	2024	2023	2022
Acquisition cost (24.26%-owned)		**P75,395,200**	P75,395,200	P75,395,200
Accumulated equity in net loss and OCI:				
Balance at beginning of year		**(33,935,650)**	(29,946,787)	(29,807,825)
Share in net loss		**(610,815)**	(782,580)	(133,185)
Share in other comprehensive loss		**(490,444)**	(3,206,283)	(5,777)
Balance at end of year		**(35,036,909)**	(33,935,650)	(29,946,787)
Allowance for impairment loss	*17*	**(5,925,786)**	(5,925,786)	(5,925,786)
	33	**P34,432,505**	P35,533,764	P39,522,627

The following table shows the summarized financial information of BIC:

	2024**	2023*	2022*
Assets	**P149,703,377**	P151,989,247	P162,417,769
Liabilities	**(7,772,193)**	(7,930,965)	(12,566,028)
Net assets	**141,931,184**	144,058,282	149,851,741
Revenues	**1,358,955**	1,128,538	4,110,788
Net loss for the year	**(2,187,063)**	(3,660,176)	(117,445)
Other comprehensive loss	**59,967**	(2,128,441)	(13,193,291)
Total comprehensive loss	**(2,127,096)**	(5,788,617)	(13,310,736)

** Based on 2022 and 2023 audited financial statements*
*** Based on 2024 unaudited financial information*

As at December 31, 2024 and 2023, the Bank's subscribed capital stock in BIC amounted to P75.8 million out of BIC's outstanding capital stock of P312.5 million.

14. Property, Equipment and Right-of-Use Assets

The movements in property and equipment and right-of-use assets follow:

		December 31, 2024					
	Note	**Land**	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Right-of-Use Assets** (Note 30)	**Total**
Cost							
Balance at January 1		**P41,569,630**	**P901,766,207**	**P1,918,604,702**	**P911,431,842**	**P1,136,772,123**	**P4,910,144,504**
Additions		**-**	**14,292,536**	**376,145,793**	**55,842,770**	**282,902,827**	**729,183,926**
Reclassification		**-**	**-**	**739,187**	**-**	**-**	**739,187**
Disposals		**-**	**-**	**(395,237,271)**	**-**	**(230,616,450)**	**(625,853,721)**
Balance at December 31		**41,569,630**	**916,058,743**	**1,900,252,411**	**967,274,612**	**1,189,058,500**	**5,014,213,896**
Less Accumulated Depreciation and Amortization							
Balance at January 1		**-**	**311,880,204**	**1,367,954,198**	**843,074,600**	**590,777,074**	**3,113,686,076**
Depreciation and amortization		**-**	**25,256,712**	**201,598,668**	**34,761,782**	**214,740,831**	**476,357,993**
Disposals		**-**	**-**	**(351,942,946)**	**-**	**(229,249,727)**	**(581,192,673)**
Balance at December 31		**-**	**337,136,916**	**1,217,609,920**	**877,836,382**	**576,268,178**	**3,008,851,396**
Allowance for impairment losses	*17*	**5,022,885**	**239,593**	**-**	**-**	**-**	**5,262,478**
Net Book Value at December 31		**P36,546,745**	**P578,682,234**	**P682,642,491**	**P89,438,230**	**P612,790,322**	**P2,000,100,022**

		December 31, 2023					
	Note	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	Total
Cost							
Balance at January 1		P41,569,630	P875,749,388	P1,628,976,165	P869,866,640	P1,035,535,118	P4,451,696,941
Additions		-	26,016,819	398,797,324	41,565,202	313,175,775	779,555,120
Disposals		-	-	(109,168,787)	-	(211,938,770)	(321,107,557)
Balance at December 31		41,569,630	901,766,207	1,918,604,702	911,431,842	1,136,772,123	4,910,144,504
Less Accumulated Depreciation and Amortization							
Balance at January 1		-	288,710,154	1,308,085,343	821,224,328	602,102,604	3,020,122,429
Depreciation and amortization		-	23,170,050	120,668,429	21,850,272	200,613,240	366,301,991
Disposals		-	-	(60,799,574)	-	(211,938,770)	(272,738,344)
Balance at December 31		-	311,880,204	1,367,954,198	843,074,600	590,777,074	3,113,686,076
Allowance for impairment losses	*17*	5,022,885	239,593	-	-	-	5,262,478
Net Book Value at December 31		P36,546,745	P589,646,410	P550,650,504	P68,357,242	P545,995,049	P1,791,195,950

	Note	December 31, 2022 Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	Total
Cost							
Balance at January 1		P41,569,630	P872,187,818	P1,570,377,529	P853,087,118	P972,959,420	P4,310,181,515
Additions		-	3,561,570	162,015,036	16,779,522	159,277,079	341,633,207
Disposals		-	-	(103,416,400)	-	(96,701,381)	(200,117,781)
Balance at December 31		41,569,630	875,749,388	1,628,976,165	869,866,640	1,035,535,118	4,451,696,941
Less Accumulated Depreciation and Amortization							
Balance at January 1		-	265,538,777	1,261,865,760	799,505,168	504,717,541	2,831,627,246
Depreciation and amortization		-	23,171,377	96,886,118	21,719,160	194,086,444	335,863,099
Disposals		-	-	(50,666,535)	-	(96,701,381)	(147,367,916)
Balance at December 31		-	288,710,154	1,308,085,343	821,224,328	602,102,604	3,020,122,429
Allowance for impairment losses	*17*	5,022,885	1,133,017	-	-	-	6,155,902
Net Book Value at December 31		P36,546,745	P585,906,217	P320,890,822	P48,642,312	P433,432,514	P1,425,418,610

In 2024, 2023 and 2022, the net gains on sale of property and equipment included under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the statements of income amounted to P0.6 million, P0.9 million and P0.1 million, respectively.

As at December 31, 2024 and 2023, the cost of fully depreciated property and equipment still in use amounted to P1.7 billion and P1.8 billion, respectively.

15. Investment Properties

The movements in investment properties follow:

	Note	**December 31, 2024 Land**	**Buildings**	**Total**
Balance at January 1		**P3,404,733,373**	**P1,397,867,451**	**P4,802,600,824**
Additions		**30,560,377**	**472,491,298**	**503,051,675**
Disposals		**(111,002,630)**	**(30,819,703)**	**(141,822,333)**
Write-off		**(6,929,672)**	**-**	**(6,929,672)**
Balance at December 31		**3,317,361,448**	**1,839,539,046**	**5,156,900,494**
Less Accumulated Depreciation				
Balance at January 1		**-**	**876,516,450**	**876,516,450**
Depreciation		**-**	**116,089,583**	**116,089,583**
Disposal		**-**	**(19,805,625)**	**(19,805,625)**
Write-off		**-**	**-**	**-**
Balance at December 31		**-**	**972,800,408**	**972,800,408**
Less Allowance for Impairment Losses	*17*	**186,597,978**	**4,731,948**	**191,329,926**
		P3,130,763,470	**P862,006,690**	**P3,992,770,160**

	Note	December 31, 2023 Land	Buildings	Total
Balance at January 1		P3,194,101,578	P1,232,705,893	P4,426,807,471
Additions		358,235,659	230,367,748	588,603,407
Disposals		(137,068,053)	(63,508,658)	(200,576,711)
Write-off		(10,535,811)	(1,697,532)	(12,233,343)
Balance at December 31		3,404,733,373	1,397,867,451	4,802,600,824
Less Accumulated Depreciation				
Balance at January 1		-	824,917,030	824,917,030
Depreciation		-	103,128,616	103,128,616
Disposal		-	(49,972,740)	(49,972,740)
Write-off		-	(1,556,456)	(1,556,456)
Balance at December 31		-	876,516,450	876,516,450
Less Allowance for Impairment Losses	*17*	245,057,307	4,900,569	249,957,876
		P3,159,676,066	P516,450,432	P3,676,126,498

	Note	December 31, 2022		
		Land	Buildings	Total
Balance at January 1		P3,223,880,496	P1,194,131,603	P4,418,012,099
Additions		84,976,590	84,393,604	169,370,194
Disposals		(114,755,508)	(45,819,314)	(160,574,822)
Balance at December 31		3,194,101,578	1,232,705,893	4,426,807,471
Less Accumulated Depreciation				
Balance at January 1		-	778,421,466	778,421,466
Depreciation		-	81,156,976	81,156,976
Disposal		-	(34,661,412)	(34,661,412)
Balance at December 31		-	824,917,030	824,917,030
Less Allowance for Impairment Losses	*17*	198,932,553	2,971,139	201,903,692
		P2,995,169,025	P404,817,724	P3,399,986,749

As at December 31, 2024 and 2023, the aggregate market value of investment properties amounted to P10.7 billion and P10.5 billion, respectively. Information about the fair value measurement of investment properties is presented in Note 6.

Gain on foreclosure and sale of investment properties included under “Gains on foreclosure and sale of property and equipment and foreclosed assets - net” consists of the following:

	2024	2023	2022
Gain on foreclosure	**P173,000,899**	P284,652,924	P63,491,307
Gain on assets sold	**149,917,862**	196,428,853	262,092,188
	P322,918,761	P481,081,777	P325,583,495

In 2022, rental income on investment properties (included in “Miscellaneous income” account in the statements of income) amounted P0.6 million (see Note 31). No rental income on investment properties was received in 2024 and 2023.

Direct operating expenses on investment properties that generated rental income (included under “Rent and utilities” account, “Litigation and acquired assets-related expenses” in “Other expenses - miscellaneous” account and “Taxes and licenses” account in the statements of income) amounted to P0.01 million in 2022. No direct operating expenses on investment properties that generated rental income were incurred in 2024 and 2023. Direct operating expenses on investment properties such as security and insurance expenses, included under “Rent and utilities” account, litigation expenses, included under “Litigation and acquired assets-related expenses” in “Other expenses - miscellaneous” account, and real estate taxes, included under “Taxes and licenses” account in the statements of income, that did not generate rental income in 2024, 2023, and 2022 amounted to P104.3 million, P83.7 million, and P91.6 million, respectively (see Note 31).

16. Other Assets

This account consists of:

	Note	**2024**	2023
Miscellaneous assets - TRB	*34*	**P4,348,088,462**	P4,348,092,231
Creditable withholding tax		**2,507,941,075**	2,099,842,660
Intangible assets*		**501,929,014**	369,413,076
Retirement assets	*29*	**427,290,277**	-
Sinking fund	*24*	**301,145,218**	290,118,112
Prepaid expenses		**236,300,582**	89,947,796
Documentary stamps		**166,665,788**	135,513,421
Other properties acquired*		**66,500,954**	73,493,952
Others		**212,297,920**	301,848,371
		8,768,159,290	7,708,269,619
Less allowance for impairment losses	*17*	**4,438,022,445**	4,438,055,610
		P4,330,136,845	P3,270,214,009

**net of accumulated amortization/depreciation, gross of allowance for impairment losses*

Miscellaneous Assets - TRB

This account includes non-performing assets (NPAs) amounting to P4.3 billion as at December 31, 2024 and 2023 which were assumed by the Bank in connection with the Purchase and Sale Agreement (PSA) entered into by the Bank with Traders Royal Bank (TRB) in 2002 (see Note 34). Pursuant to the requirements of PFRS, the allowance for impairment losses on the NPAs amounting to P4.3 billion as at December 31, 2024 and 2023, were charged in full in the period incurred.

For its separate prudential reporting to BSP, the Bank was allowed under the MB Resolution No. 1751, dated November 8, 2001, as further amended by MB Resolution No. 489, dated April 3, 2003 and pursuant to MB Resolution No. 1950, dated November 21, 2013, to defer the full recognition of the impairment losses. The Bank annually recognizes provisions for impairment losses to gradually meet the foregoing provisioning requirement based on the net yield earned by the Bank from the Financial Assistance Agreement (FAA) with Philippine Deposit Insurance Corporation (PDIC) until November 29, 2013 when the collateralized government securities was sold and the obligation was fully settled. In 2022, the Bank recognized P1.3 billion provisions for prudential reporting to BSP to fully recognize the impairment losses on the NPAs (see Note 34).

Intangible Assets

Intangible assets consist of:

	Note	**2024**	2023
Software costs*		**P441,929,014**	P309,413,076
Branch licenses		**60,000,000**	60,000,000
		501,929,014	369,413,076
Less allowance for impairment losses	*17*	**-**	-
		P501,929,014	P369,413,076

**net of accumulated amortization, gross of allowance for impairment losses*

Movements in software costs follow:

	2024	2023	2022
Cost			
Balance at January 1	**P1,074,904,202**	P1,027,748,294	P926,851,659
Additions	**228,113,759**	149,908,692	100,896,635
Write-off	**-**	(102,752,784)	-
Balance at end of year	**1,303,017,961**	1,074,904,202	1,027,748,294
Less Accumulated Amortization			
Balance at January 1	**765,491,126**	701,223,986	628,155,881
Amortization for the year	**95,597,821**	76,741,228	73,068,105
Write-off	**-**	(12,474,088)	-
Balance at end of year	**861,088,947**	765,491,126	701,223,986
Less Allowance for Impairment Losses	**-**	-	90,278,696
Net Book Value	**P441,929,014**	P309,413,076	P236,245,612

Other Properties Acquired

Movements in the other properties acquired follow:

	Note	2024	2023	2022
Cost				
Balance at January 1		**P283,409,284**	P245,108,000	P220,284,000
Additions		**71,813,000**	86,927,784	87,394,500
Disposals		**(148,067,726)**	(48,626,500)	(62,570,500)
Reclassification	*14*	**(2,299,000)**	-	-
Balance at end of year		**204,855,558**	283,409,284	245,108,000
Less Accumulated Depreciation				
Balance at January 1		**209,915,332**	201,981,840	199,868,958
Depreciation for the year		**30,719,655**	19,948,439	14,643,389
Disposals		**(100,872,272)**	(12,014,947)	(12,530,507)
Reclassification	*14*	**(1,408,111)**	-	-
Balance at end of year		**138,354,604**	209,915,332	201,981,840
Less Allowance for Impairment Losses		**-**	-	96,485
Net Book Value		**P66,500,954**	P73,493,952	P43,029,675

In 2024, 2023 and 2022, gain on foreclosure amounted to P3.6 million, P4.7 million and P3.5 million, respectively. Gain on sale of other properties acquired under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" amounted to P14.4 million, P8.7 million, and P11.2 million in 2024, 2023 and 2022, respectively.

Others include security deposit, unused supplies and forms and petty cash fund.

17. Allowance for Credit and Impairment Losses

Movements in ECL allowances in 2024, 2023 and 2022 on financial assets, other than loans and receivables, are summarized as follows (amounts in thousands):

	December 31, 2024					
	Due from BSP	**Due from Other Banks**	**Interbank Loans Receivable and SPURA** (Note 8)	**Financial Assets at FVOCI** (Note 10)	**Investment Securities at Amortized Cost** (Note 11)	**Total**
ECL allowance, January 1, 2024	**P3,277**	**P142**	**P2,715**	**P1,090**	**P6,209**	**13,433**
Provision for credit and impairment losses for the year	**3,192**	**366**	**(2,245)**	**836**	**(1,977)**	**172**
Foreign exchange differences	**-**	**8**	**14**	**3**	**17**	**42**
ECL allowance, December 31, 2024	**P6,469**	**P516**	**P484**	**P1,929**	**P4,249**	**P13,647**

	December 31, 2023					
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	Total
ECL allowance, January 1, 2023	P3,197	P141	P2,481	P634	P6,069	P12,522
Provision for credit and impairment losses for the year	80	2	238	456	145	921
Foreign exchange differences	-	(1)	(4)	-	(5)	(10)
ECL allowance, December 31, 2023	P3,277	P142	P2,715	P1,090	P6,209	P13,433

	December 31, 2022					
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	Total
ECL allowance, January 1, 2022	P6,125	P141	P2,583	P662	P5,761	P15,272
Provision for (reversal of) credit and impairment losses for the year	(2,928)	(7)	(144)	(37)	220	(2,896)
Foreign exchange differences	-	7	42	9	88	146
ECL allowance, December 31, 2022	P3,197	P141	P2,481	P634	P6,069	P12,522

All accounts above were carried at Stage 1 and there were no transfers into and out of Stage 1 in 2024, 2023 and 2022.

The ECL allowance on financial assets at FVOCI is included in the “Net unrealized losses on financial assets at FVOCI” account in the statements of financial position (see Note 10).

As at December 31, 2024 and 2023, ECL on off-balance sheet exposures amounted to P45.8 million and P23.7 million, respectively, (see Note 22). In 2024, 2023 and 2022, the Bank recognized provision for (reversal of) ECL on loan commitment and financial guarantees amounting to P22.1 million, (P10.0 million), and (P36.9 million), respectively.

In 2024 and 2023, the Bank recognized a reversal of allowance for credit losses on loans and receivables amounting to P10.8 million and P238.9 million, respectively, which is included under “Provision for credit and impairment losses” account in the statements of income, as a result of the recalibration of its existing ECL framework to incorporate the most recent data and developments in the macroeconomic environment of the Bank (see Notes 3 and 4). The amount of the effect in future periods is not disclosed because estimating the impact is impracticable.

The table below summarizes the movements in ECL allowances on loans and receivables in 2024, 2023 and 2022 (amounts in thousands).

	December 31, 2024										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2024	P190,471	P7,863	P3,948	P2,202	P107	P16,849	P39,707	P261,147	P2,825	P5,111	P269,083
Provision for credit and impairment losses	234,684	5,969	16,593	1,623	36	31,006	24,593	314,504	(363)	9,109	323,250
Transfer from Stage 1	(136,965)	(10,510)	(12,750)	-	(37)	(4,901)	(4,988)	(170,151)	(124)	(2,580)	(172,855)
Transfer from Stage 2	-	136	58	-	-	-	26	220	26	4	250
Transfer from Stage 3	-	120	1	-	-	-	1	122	25	1	148
Foreign exchange differences	698	1	-	-	-	414	102	1,215	-	9	1,224
	288,888	3,579	7,850	3,825	106	43,368	59,441	407,057	2,389	11,654	421,100
Stage 2											
ECL Loans, January 1, 2024	132,854	17,282	4,122	-	29	76	17,461	171,824	52	23,606	195,482
Provision for credit and impairment losses	(9,137)	(13,084)	(2,547)	-	(29)	(76)	(155)	(25,028)	(18)	4,531	(20,515)
Transfer from Stage 1	85,013	5,542	6,919	-	37	4,901	1,377	103,789	52	1,081	104,922
Transfer from Stage 2	(104,932)	(2,503)	(1,118)	-	-	-	(430)	(108,983)	(35)	(2,786)	(111,804)
Transfer from Stage 3	-	367	44	-	-	-	22	433	4	8	445
Foreign exchange differences	-	-	-	-	-	-	31	31	-	14	45
	103,798	7,604	7,420	-	37	4,901	18,306	142,066	55	26,454	168,575
Stage 3											
ECL Loans, January 1, 2024	407,680	172,340	232,543	89,470	121,242	185,708	186,626	1,395,609	54,151	1,105,475	2,555,235
Provision for credit and impairment losses	(94,399)	(101,281)	20,431	(12,679)	-	(47,424)	76,388	(158,964)	(217)	25,318	(133,863)
Transfer from Stage 1	51,952	4,968	5,831	-	-	-	3,611	66,362	72	1,499	67,933
Transfer from Stage 2	104,932	2,367	1,060	-	-	-	404	108,763	9	2,782	111,554
Transfer from Stage 3	-	(487)	(45)	-	-	-	(23)	(555)	(29)	(9)	(593)
Movement due to foreclosure/settlement	-	(4,523)	(16,409)	-	-	-	-	(20,932)	-	(2,852)	(23,784)
Write-off	(168,339)	-	-	(33,123)	(51,673)	-	(40,315)	(293,450)	-	(15,538)	(308,988)
Foreign exchange differences	2,941	117	-	2,259	-	-	134	5,451	-	4,565	10,016
	304,767	73,501	243,411	45,927	69,569	138,284	226,825	1,102,284	53,986	1,121,240	2,277,510
Total											
ECL Loans, January 1, 2024	731,005	197,485	240,613	91,672	121,378	202,633	243,794	1,828,580	57,028	1,134,192	3,019,800
Provision for credit and impairment losses	131,148	(108,396)	34,477	(11,056)	7	(16,494)	100,826	130,512	(598)	38,958	168,872
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(4,523)	(16,409)	-	-	-	-	(20,932)	-	(2,852)	(23,784)
Write-off	(168,339)	-	-	(33,123)	(51,673)	-	(40,315)	(293,450)	-	(15,538)	(308,988)
Foreign exchange differences	3,639	118	-	2,259	-	414	267	6,697	-	4,588	11,285
	P697,453	P84,684	P258,681	P49,752	P69,712	P186,553	P304,572	P1,651,407	P56,430	P1,159,348	P2,867,185

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

	December 31, 2023										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2023	P180,639	P18,421	P35,735	P2,958	P120	P5,126	P57,970	P300,969	P2,632	P6,360	P309,961
Provision for credit and impairment losses	41,589	11,126	(25,378)	4,267	16	66,261	(15,519)	82,362	266	777	83,405
Transfer from Stage 1	(31,876)	(22,190)	(6,572)	(5,023)	(29)	(54,499)	(2,743)	(122,932)	(108)	(2,040)	(125,080)
Transfer from Stage 2	214	306	161	-	-	-	15	696	9	12	717
Transfer from Stage 3	-	200	2	-	-	-	3	205	26	3	234
Foreign exchange differences	(95)	-	-	-	-	(39)	(19)	(153)	-	(1)	(154)
	190,471	7,863	3,948	2,202	107	16,849	39,707	261,147	2,825	5,111	269,083
Stage 2											
ECL Loans, January 1, 2023	82,939	9,121	26,246	-	286	6,904	13,361	138,857	39	20,702	159,598
Provision for credit and impairment losses	50,129	(658)	(20,901)	-	(286)	124,381	3,572	156,237	(26)	6,945	163,156
Transfer from Stage 1	-	11,620	3,158	-	29	49	968	15,824	49	527	16,400
Transfer from Stage 2	(214)	(4,525)	(4,489)	-	-	(131,258)	(461)	(140,947)	(12)	(4,610)	(145,569)
Transfer from Stage 3	-	1,724	108	-	-	-	24	1,856	2	44	1,902
Foreign exchange differences	-	-	-	-	-	-	(3)	(3)	-	(2)	(5)
	132,854	17,282	4,122	-	29	76	17,461	171,824	52	23,606	195,482
Stage 3											
ECL Loans, January 1, 2023	465,848	144,276	341,668	88,174	133,007	17,663	612,085	1,802,721	54,298	1,134,017	2,991,036
Provision for credit and impairment losses	(36,546)	20,645	(107,031)	-	-	(17,663)	38,990	(101,605)	(181)	(31,153)	(132,939)
Transfer from Stage 1	31,876	10,570	3,414	5,023	-	54,450	1,775	107,108	59	1,513	108,680
Transfer from Stage 2	-	4,219	4,328	-	-	131,258	446	140,251	3	4,598	144,852
Transfer from Stage 3	-	(1,924)	(110)	-	-	-	(27)	(2,061)	(28)	(47)	(2,136)
Movement due to foreclosure/settlement	(9,580)	(5,422)	(9,726)	-	-	-	-	(24,728)	-	(1,340)	(26,068)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Foreign exchange differences	(491)	(24)	-	(351)	-	-	(166)	(1,032)	-	(713)	(1,745)
	407,680	172,340	232,543	89,470	121,242	185,708	186,626	1,395,609	54,151	1,105,475	2,555,235
Total											
ECL Loans, January 1, 2023	729,426	171,818	403,649	91,132	133,413	29,693	683,416	2,242,547	56,969	1,161,079	3,460,595
Provision for credit and impairment losses	55,172	31,113	(153,310)	4,267	(270)	172,979	27,043	136,994	59	(23,431)	113,622
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	(9,580)	(5,422)	(9,726)	-	-	-	-	(24,728)	-	(1,340)	(26,068)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Foreign exchange differences	(586)	(24)	-	(351)	-	(39)	(188)	(1,188)	-	(716)	(1,904)
	P731,005	P197,485	P240,613	P91,672	P121,378	P202,633	P243,794	P1,828,580	P57,028	P1,134,192	P3,019,800

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

	December 31, 2022										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2022	P99,790	P16,284	P33,420	P288	P3,416	P1,789	P11,915	P166,902	P2,623	P2,601	P172,126
Provision for credit and impairment losses	129,550	19,453	25,643	10,326	(3,024)	9,156	50,053	241,157	(5)	7,680	248,832
Transfer from Stage 1	(51,207)	(19,948)	(26,590)	(7,656)	(286)	(5,967)	(4,064)	(115,718)	(147)	(4,107)	(119,972)
Transfer from Stage 2	1,775	2,100	2,685	-	-	-	20	6,580	71	153	6,804
Transfer from Stage 3	-	530	577	-	-	-	2	1,109	90	28	1,227
Foreign exchange differences	731	2	-	-	14	148	44	939	-	5	944
	180,639	18,421	35,735	2,958	120	5,126	57,970	300,969	2,632	6,360	309,961
Stage 2											
ECL Loans, January 1, 2022	38,924	22,554	48,820	-	-	4,671	3,928	118,897	160	27,491	146,548
Provision for credit and impairment losses	61,651	(1,163)	(23,883)	-	-	(3,734)	9,063	41,934	(35)	(2,516)	39,383
Transfer from Stage 1	51,207	5,830	16,608	-	286	5,967	764	80,662	31	1,456	82,149
Transfer from Stage 2	(69,829)	(18,530)	(17,918)	-	-	-	(473)	(106,750)	(125)	(5,936)	(112,811)
Transfer from Stage 3	-	430	2,619	-	-	-	64	3,113	8	165	3,286
Foreign exchange differences	986	-	-	-	-	-	15	1,001	-	42	1,043
	82,939	9,121	26,246	-	286	6,904	13,361	138,857	39	20,702	159,598
Stage 3											
ECL Loans, January 1, 2022	623,300	136,588	446,902	76,426	163,188	17,663	601,570	2,065,637	54,719	1,104,169	3,224,525
Provision for credit and impairment losses	10,624	(19,544)	(100,930)	(249)	(30,181)	-	22,215	(118,065)	(493)	29,822	(88,736)
Transfer from Stage 1	-	14,118	9,982	7,656	-	-	3,300	35,056	116	2,651	37,823
Transfer from Stage 2	68,054	16,430	15,233	-	-	-	453	100,170	54	5,783	106,007
Transfer from Stage 3	-	(960)	(3,196)	-	-	-	(66)	(4,222)	(98)	(193)	(4,513)
Movement due to foreclosure/settlement	-	(2,436)	(26,323)	-	-	-	-	(28,759)	-	(1,649)	(30,408)
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Foreign exchange differences	3,751	80	-	4,341	-	-	1,969	10,141	-	8,728	18,869
	465,848	144,276	341,668	88,174	133,007	17,663	612,085	1,802,721	54,298	1,134,017	2,991,036
Total											
ECL Loans, January 1, 2022	762,014	175,426	529,142	76,714	166,604	24,123	617,413	2,351,436	57,502	1,134,261	3,543,199
Provision for credit and impairment losses	201,825	(1,254)	(99,170)	10,077	(33,205)	5,422	81,331	165,026	(533)	34,986	199,479
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(2,436)	(26,323)	-	-	-	-	(28,759)	-	(1,649)	(30,408)
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Foreign exchange differences	5,468	82	-	4,341	14	148	2,028	12,081	-	8,775	20,856
	P729,426	P171,818	P403,649	P91,132	P133,413	P29,693	P683,416	P2,242,547	P56,969	P1,161,079	P3,460,595

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

The table below summarizes the movements in the gross carrying amounts of financial assets, other than loans and receivables, in 2024 and 2023 (amounts in thousands).

	December 31, 2024				
	Due from BSP	**Due from Other Banks**	**Interbank Loans Receivable and SPURA** (Note 8)	**Financial Assets at FVOCI** (Note 10)	**Investment Securities at Amortized Cost** (Note 11)
Gross carrying amount, January 1, 2024	**P24,275,196**	**P1,055,497**	**P20,114,496**	**P11,043,805**	**P52,477,313**
New assets purchased or originated	**1,021,419,244**	**96,270**	**3,157,038,787**	**8,570,288**	**98,754,644**
Assets derecognized or repaid	**(992,519,244)**	**(66,302)**	**(3,175,007,774)**	**(306,440)**	**(114,959,241)**
Other movements*	**(5,255,270)**	**2,734,436**	**1,442,340**	**(229,019)**	**343,201**
Gross carrying amount, December 31, 2024	**P47,919,926**	**P3,819,901**	**P3,587,849**	**P19,078,634**	**P36,615,917**

**Includes movements in outstanding balances and foreign exchange differences*

	December 31, 2023				
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)
Gross carrying amount, January 1, 2023	P23,678,666	P1,044,396	P18,381,226	P5,805,051	P52,214,838
New assets purchased or originated	857,132,081	1,060	3,147,361,092	10,911,008	84,806,044
Assets derecognized or repaid	(854,932,081)	(36,818)	(3,143,921,917)	(5,963,068)	(84,500,328)
Other movements*	(1,603,470)	46,859	(1,705,905)	290,814	(43,241)
Gross carrying amount, December 31, 2023	P24,275,196	P1,055,497	P20,114,496	P11,043,805	P52,477,313

**Includes movements in outstanding balances and foreign exchange differences*

The table below summarizes the movements in the gross carrying amounts on loans and receivables in 2024 and 2023 (amounts in thousands).

	December 31, 2024										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Gross carrying amount,											
January 1, 2024	**P80,214,649**	**P7,739,774**	**P3,723,011**	**P961,229**	**P452,422**	**P11,489,607**	**P1,985,562**	**P106,566,254**	**P282,515**	**P1,640,714**	**P108,489,483**
New assets purchased or originated	**59,559,399**	**2,388,621**	**2,421,148**	**355,689**	**225,095**	**6,530,101**	**567,081**	**72,047,134**	**94,525**	**1,357,801**	**73,499,460**
Assets derecognized or repaid	**(31,549,209)**	**(251,313)**	**(376,513)**	**(202,562)**	**(353,032)**	**(4,020,500)**	**(183,636)**	**(36,936,765)**	**(31,905)**	**(551,149)**	**(37,519,819)**
Transfer from Stage 1	**(2,433,734)**	**(173,748)**	**(88,718)**	**-**	**(962)**	**(170,000)**	**(17,838)**	**(2,885,000)**	**(11,858)**	**(135,818)**	**(3,032,676)**
Transfer from Stage 2	**-**	**77,518**	**8,490**	**-**	**-**	**-**	**2,171**	**88,179**	**2,542**	**1,177**	**91,898**
Transfer from Stage 3	**-**	**59,114**	**165**	**-**	**-**	**-**	**172**	**59,451**	**2,470**	**478**	**62,399**
Other movements***	**(6,074,858)**	**(734,934)**	**(1,019,072)**	**67,181**	**(31,331)**	**(380,594)**	**(140,128)**	**(8,313,736)**	**(99,339)**	**133,623**	**(8,279,452)**
	99,716,247	**9,105,032**	**4,668,511**	**1,181,537**	**292,192**	**13,448,614**	**2,213,384**	**130,625,517**	**238,950**	**2,446,826**	**133,311,293**
Stage 2											
Gross carrying amount,											
January 1, 2024	**538,543**	**171,144**	**46,914**	**-**	**1,674**	**6,231**	**88,814**	**853,320**	**5,171**	**30,438**	**888,929**
New assets purchased or originated	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Assets derecognized or repaid	**(1,640)**	**(17,002)**	**(17,768)**	**-**	**(1,674)**	**(6,231)**	**(3,368)**	**(47,683)**	**(320)**	**(20,511)**	**(68,514)**
Transfer from Stage 1	**2,346,192**	**128,081**	**65,797**	**-**	**962**	**170,000**	**9,770**	**2,720,802**	**4,668**	**46,932**	**2,772,402**
Transfer from Stage 2	**(420,157)**	**(101,184)**	**(12,656)**	**-**	**-**	**-**	**(3,073)**	**(537,070)**	**(3,451)**	**(4,466)**	**(544,987)**
Transfer from Stage 3	**-**	**8,605**	**298**	**-**	**-**	**-**	**93**	**8,996**	**373**	**176**	**9,545**
Other movements***	**(40,255)**	**(14,146)**	**(11,344)**	**-**	**-**	**-**	**(3,904)**	**(69,649)**	**(1,399)**	**(4,017)**	**(75,065)**
	2,422,683	**175,498**	**71,241**	**-**	**962**	**170,000**	**88,332**	**2,928,716**	**5,042**	**48,552**	**2,982,310**
Stage 3											
Gross carrying amount,											
January 1, 2024	**443,680**	**543,309**	**350,703**	**89,470**	**121,242**	**185,708**	**253,848**	**1,987,960**	**100,875**	**1,118,730**	**3,207,565**
New assets purchased or originated	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Assets derecognized or repaid	**(83,662)**	**(244,931)**	**(35,830)**	**(12,679)**	**-**	**-**	**(1,903)**	**(379,005)**	**(13,118)**	**(65,917)**	**(458,040)**
Transfer from Stage 1	**87,542**	**45,667**	**22,921**	**-**	**-**	**-**	**8,068**	**164,198**	**7,190**	**88,886**	**260,274**
Transfer from Stage 2	**420,157**	**23,666**	**4,166**	**-**	**-**	**-**	**902**	**448,891**	**909**	**3,289**	**453,089**
Transfer from Stage 3	**-**	**(67,719)**	**(463)**	**-**	**-**	**-**	**(265)**	**(68,447)**	**(2,843)**	**(654)**	**(71,944)**
Write-off	**(168,339)**	**-**	**-**	**(33,123)**	**(51,673)**	**-**	**(40,315)**	**(293,450)**	**-**	**(15,538)**	**(308,988)**
Other movements***	**(18,801)**	**(15,854)**	**(5,207)**	**2,259**	**-**	**(47,424)**	**83,853**	**(1,174)**	**(2,140)**	**280**	**(3,034)**
	680,577	**284,138**	**336,290**	**45,927**	**69,569**	**138,284**	**304,188**	**1,858,973**	**90,873**	**1,129,076**	**3,078,922**
Total											
Gross carrying amount,											
January 1, 2024	**81,196,872**	**8,454,227**	**4,120,628**	**1,050,699**	**575,338**	**11,681,546**	**2,328,224**	**109,407,534**	**388,561**	**2,789,882**	**112,585,977**
New assets purchased or originated	**59,559,399**	**2,388,621**	**2,421,148**	**355,689**	**225,095**	**6,530,101**	**567,081**	**72,047,134**	**94,525**	**1,357,801**	**73,499,460**
Assets derecognized or repaid	**(31,634,511)**	**(513,246)**	**(430,111)**	**(215,241)**	**(354,706)**	**(4,026,731)**	**(188,907)**	**(37,363,453)**	**(45,343)**	**(637,577)**	**(38,046,373)**
Transfer from Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer from Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer from Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Write-off	**(168,339)**	**-**	**-**	**(33,123)**	**(51,673)**	**-**	**(40,315)**	**(293,450)**	**-**	**(15,538)**	**(308,988)**
Other movements***	**(6,133,914)**	**(764,934)**	**(1,035,623)**	**69,440**	**(31,331)**	**(428,018)**	**(60,179)**	**(8,384,559)**	**(102,878)**	**129,886**	**(8,357,551)**
	P102,819,507	**P9,564,668**	**P5,076,042**	**P1,227,464**	**P362,723**	**P13,756,898**	**P2,605,904**	**P135,413,206**	**P334,865**	**P3,624,454**	**P139,372,525**

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*
****Includes movements in outstanding balances and foreign exchange differences*

	December 31, 2023										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Gross carrying amount,											
January 1, 2023	P85,152,447	P7,294,257	P3,115,110	P1,296,404	P466,443	P2,378,143	P1,808,374	P101,511,178	P263,227	P1,447,176	P103,221,581
New assets purchased or originated	39,963,570	1,369,112	1,913,726	14,983	382,112	10,075,693	531,274	54,250,470	154,270	742,125	55,146,865
Assets derecognized or repaid	(38,249,631)	(207,780)	(294,754)	(89,151)	(368,013)	(703,054)	(202,065)	(40,114,448)	(21,574)	(528,704)	(40,664,726)
Transfer from Stage 1	(61,876)	(180,668)	(48,317)	(5,023)	(1,674)	(59,181)	(13,235)	(369,974)	(10,881)	(87,181)	(468,036)
Transfer from Stage 2	142,500	88,312	35,256	-	-	-	1,862	267,930	953	3,985	272,868
Transfer from Stage 3	-	55,462	1,399	-	-	-	561	57,422	2,588	821	60,831
Other movements***	(6,732,361)	(678,921)	(999,409)	(255,984)	(26,446)	(201,994)	(141,209)	(9,036,324)	(106,068)	62,492	(9,079,900)
	80,214,649	7,739,774	3,723,011	961,229	452,422	11,489,607	1,985,562	106,566,254	282,515	1,640,714	108,489,483
Stage 2											
Gross carrying amount,											
January 1, 2023	960,125	182,084	127,407	-	2,641	142,076	65,034	1,479,367	4,038	35,963	1,519,368
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(257,858)	(13,444)	(24,725)	-	(2,641)	(2,865)	(4,586)	(306,119)	(1,971)	(20,706)	(328,796)
Transfer from Stage 1	-	116,055	35,704	-	1,674	4,731	8,807	166,971	4,884	25,258	197,113
Transfer from Stage 2	(142,500)	(114,102)	(45,545)	-	-	(131,258)	(2,727)	(436,132)	(1,228)	(9,353)	(446,713)
Transfer from Stage 3	-	16,910	1,164	-	-	-	160	18,234	165	437	18,836
Other movements***	(21,224)	(16,359)	(47,091)	-	-	(6,453)	22,126	(69,001)	(717)	(1,161)	(70,879)
	538,543	171,144	46,914	-	1,674	6,231	88,814	853,320	5,171	30,438	888,929
Stage 3											
Gross carrying amount,											
January 1, 2023	470,462	746,113	409,507	88,174	133,007	17,663	684,460	2,549,386	115,357	1,146,132	3,810,875
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(41,455)	(202,381)	(65,757)	-	-	(17,663)	(4,724)	(331,980)	(13,939)	(91,894)	(437,813)
Transfer from Stage 1	61,876	64,613	12,613	5,023	-	54,450	4,428	203,003	5,997	61,923	270,923
Transfer from Stage 2	-	25,790	10,289	-	-	131,258	865	168,202	275	5,368	173,845
Transfer from Stage 3	-	(72,372)	(2,563)	-	-	-	(721)	(75,656)	(2,753)	(1,258)	(79,667)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Other movements***	(3,776)	(18,454)	(13,386)	(351)	-	-	36,017	50	(4,062)	(141)	(4,153)
	443,680	543,309	350,703	89,470	121,242	185,708	253,848	1,987,960	100,875	1,118,730	3,207,565
Total											
Gross carrying amount,											
January 1, 2023	86,583,034	8,222,454	3,652,024	1,384,578	602,091	2,537,882	2,557,868	105,539,931	382,622	2,629,271	108,551,824
New assets purchased or originated	39,963,570	1,369,112	1,913,726	14,983	382,112	10,075,693	531,274	54,250,470	154,270	742,125	55,146,865
Assets derecognized or repaid	(38,548,944)	(423,605)	(385,236)	(89,151)	(370,654)	(723,582)	(211,375)	(40,752,547)	(37,484)	(641,304)	(41,431,335)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Other movements***	(6,757,361)	(713,734)	(1,059,886)	(256,335)	(26,446)	(208,447)	(83,066)	(9,105,275)	(110,847)	61,190	(9,154,932)
	P81,196,872	P8,454,227	P4,120,628	P1,050,699	P575,338	P11,681,546	P2,328,224	P109,407,534	P388,561	P2,789,882	P112,585,977

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*
****Includes movements in outstanding balances and foreign exchange differences*

Movements in allowance for impairment losses as at December 31, 2024, 2023 and 2022 for investment in associate and non-financial assets are summarized as follows (amounts in thousands):

	December 31, 2024				
	Investment in Associate (Note 13)	**Property and Equipment** (Note 14)	**Investment Properties** (Note 15)	**Other Assets** (Note 16)	**Total**
Balance at beginning of year	**P5,926**	**P5,262**	**P249,958**	**P4,438,056**	**P4,699,202**
Provision for impairment losses for the year	**-**	**-**	**(51,698)**	**(34)**	**(51,732)**
Write-off	**-**	**-**	**(6,930)**	**-**	**(6,930)**
Balance at end of year	**P5,926**	**P5,262**	**P191,330**	**P4,438,022**	**P4,640,540**

	December 31, 2023				
	Investment in Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning of year	P5,926	P6,156	P201,904	P4,611,829	P4,825,815
Provision for impairment losses for the year	-	(894)	58,731	(83,494)	(25,657)
Write-off	-	-	(10,677)	(90,279)	(100,956)
Balance at end of year	P5,926	P5,262	P249,958	P4,438,056	P4,699,202

	December 31, 2022				
	Investment in Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning of year	P5,926	P6,156	P191,276	P4,615,905	P4,819,263
Provision for impairment losses for the year	-	-	10,628	(4,076)	6,552
Balance at end of year	P5,926	P6,156	P201,904	P4,611,829	P4,825,815

18. Deposit Liabilities

Long-term Negotiable Certificates of Time Deposit (LTNCTD)

On March 17, 2020, the Bank issued unsecured LTNCTD with 4.5% fixed interest rate at par value of P5.0 billion and maturing on September 17, 2025. The issuance of the LTNCTD was approved by the BOD on June 25, 2019 and by the BSP on October 31, 2019. The issuance was listed in the Philippine Dealing and Exchange Corporation.

Reserve Requirement

On March 31, 2020, the BSP issued Circular No. 1082 reducing the reserve requirement to 12.0% effective on the reserve week starting on April 3, 2020. On June 23, 2023, the BSP reduced the reserve requirement to 9.5% effective on the reserve week starting on June 30, 2023, through the issuance of BSP Circular No. 1175. On September 20, 2024, the BSP issued Circular No. 1201 reducing the reserve requirement to 7.0% effective on the reserve week starting October 25, 2024.

As at December 31, 2024 and 2023, the Bank is in compliance with such reserve requirements. Due from BSP demand deposit account amounting to P12.0 billion and P17.1 billion as at December 31, 2024 and 2023, respectively, is available for meeting these reserve requirements as reported to BSP.

Due from BSP-Overnight Deposit Accounts earned annual interest rates ranging from 5.3% to 6.0% in 2024, from 5.0% to 6.0% in 2023, and from 1.5% to 5.0% in 2022. Due from BSP-Term Deposit Accounts earned annual interest rates ranging from 6.3% to 6.7%, from 6.4% to 6.8%, and from 1.7% to 6.4% in 2024, 2023, and 2022, respectively. Interest income on Due from BSP amounted to P368.3 million, P364.2 million, and P264.7 million in 2024, 2023, and 2022, respectively.

Interest expense on deposit liabilities follows:

	2024	2023	2022
Demand	**P88,483,830**	P67,813,429	P58,010,393
Savings	**2,504,250,516**	2,174,301,309	631,899,858
Time	**646,617,783**	502,742,516	118,116,108
LTNCTD	**226,323,900**	226,323,900	226,323,900
	P3,465,676,029	P2,971,181,154	P1,034,350,259

Peso-denominated deposits are subject to annual interest rates ranging from 0.1% to 6.5% in 2024 and 2023, and from 0.1% to 5.5% in 2022. Foreign currency-denominated deposits are subject to annual interest rates ranging from 0.1% to 5.5% in 2024 and 2023, and from 0.1% to 4.5% in 2022.

Insurance Expense

This account pertains to the PDIC insurance on deposits amounting to P384.0 million, P345.1 million, and P348.4 million in 2024, 2023, and 2022, respectively.

19. Bills Payable

This account consists of SSURA and short-term borrowings from local and foreign banks. As at December 31, 2024 and 2023, there were no short-term borrowings from local and foreign banks and no financial assets pledged and transferred under SSURA transactions.

Interest expense consists of:

	2024	2023	2022
SSURA	**P9,058,806**	P24,610,494	P -
Local banks	**1,815,681**	104,836	325,200
Foreign banks	**-**	128,142	-
Other borrowings	**4,258,384**	24,254,796	46,716,357
	P15,132,871	P49,098,268	P47,041,557

SSURA were subject to annual interest rates ranging from 4.9% to 5.1% in 2024 and from 5.3% to 5.7% in 2023.

Peso-denominated short-term borrowings from local banks are subject to annual interest rates ranging from 6.3% to 6.8% and from 1.9% to 2.5% in 2024 and 2022, respectively. There were no peso-denominated short-term borrowings from local banks in 2023. Foreign currency denominated short-term borrowings from local banks are subject to annual interest rate of 5.5%, interest rates ranging from 4.6% to 4.9%, and from 0.2% to 0.5% in 2024, 2023, and 2022, respectively.

Foreign currency denominated short-term borrowings from foreign banks are subject to annual interest rates ranging from 4.8% to 5.1% in 2023. There were no foreign currency denominated short-term borrowings from foreign banks in 2024 and 2022.

In 2024, 2023 and 2022, interest expense on other borrowings includes interest expense on tax settlement amounting to P4.3 million, P24.2 million and P46.7 million, respectively.

20. Bonds Payable

On May 16, 2024, the Bank issued P6.6 billion fixed rate bonds due on November 16, 2025. The bonds were priced at par with a coupon rate of 6.5635% payable on a quarterly basis commencing on August 16, 2024. The bonds were listed in Philippine Dealing and Exchange Corporation. Transaction costs on the issuance of bonds amounted to P59.2 million.

The P7.5 billion fixed rate bonds issued by the Bank on July 29, 2022 with a coupon rate of 5.0263% payable on a quarterly basis matured and was settled on July 29, 2024.

Interest expense on bonds payable amounted to P532.9 million, P413.0 million, and P173.8 million in 2024, 2023 and 2022, respectively. As at December 31, 2024 and 2023, unamortized bond transaction costs amounted to P35.3 million and P21.7 million, respectively.

21. Accrued Interest, Taxes and Other Expenses

This account consists of accruals for the following:

	Note	**2024**	2023
Interest payable:			
Deposit liabilities	*18*	**P211,707,577**	P292,928,209
Bonds payable	*20*	**44,043,546**	52,570,178
		255,751,123	345,498,387
Employee and other benefits		**226,500,304**	222,122,042
Insurance		**203,116,131**	183,357,397
Taxes payable		**116,688,935**	112,892,733
Fees and commissions		**72,329,788**	101,114,869
Management and professional fees		**35,201,526**	46,980,799
Penalties		**34,412,283**	171,456,762
Utilities expenses		**32,595,643**	53,734,548
Security		**27,319,769**	23,599,389
Building repairs and maintenance		**14,361,406**	20,033,164
Equipment-related expenses		**7,281,022**	38,508,624
Rent		**6,229,896**	4,600,248
Others		**66,405,394**	63,290,363
		P1,098,193,220	P1,387,189,325

Other accrued expenses include accruals for marketing and advertising, janitorial, messengerial, and various expenses attributable to the Bank's operations.

22. Other Liabilities

This account consists of:

	Note	**2024**	2023
Accounts payable		**P5,147,678,610**	P1,370,543,826
Payment orders payable		**2,991,807,839**	60,876,563
Bills purchased - contra	*12, 33*	**825,848,408**	951,269,458
Lease liability	*30*	**661,590,944**	593,364,435
Due to preferred shareholders	*24*	**301,145,218**	290,118,112
Other credits-dormant		**252,366,676**	233,264,121
Margin deposits		**227,000,000**	-
Due to Treasurer of the Philippines		**213,902,800**	213,714,158
Withholding tax payable		**182,032,305**	169,251,673
Unclaimed balances		**130,168,838**	35,780,120
ECL on off-balance sheet exposures	*17*	**45,843,821**	23,743,549
Retirement liability	*29*	**-**	126,139,504
Miscellaneous		**130,709,248**	125,115,684
		P11,110,094,707	P4,193,181,203

Accounts payable mainly pertains to advance loan payments from borrowers, settlement billings from credit card operations and proceeds from collections pending remittance to clients/payees.

Payment orders payable pertains to inward and outward remittances received by the Bank pending payment or application to designated deposit accounts.

Other credits - dormant account includes long outstanding Managers' Checks that are yet to be encashed by the payees, which have been outstanding for more than one (1) year from the dates of checks.

Margin deposits pertains to non-interest bearing deposits required on commercial letter of credits issued in favor of beneficiaries arising from movement of goods or services.

ECL on off-balance sheet exposures relate to committed credit line, credit card lines, outstanding guarantees and unused commercial letter of credits (see Note 38).

Miscellaneous include deposits for keys of safety deposit boxes, SSS payable, other provisions and unclaimed salaries of resigned employees.

23. Maturity Profile of Assets and Liabilities

The following tables present the maturity profile of the assets and liabilities of the Bank based on the amounts to be recovered or settled within and/or after more than 12 months after the reporting period (amounts in thousands):

		2024			2023		
	Note	Within 12 Months	Over 12 Months	Total	Within 12 Months	Over 12 Months	Total
Financial Assets - gross							
COCI		**P4,244,124**	**P -**	**P4,244,124**	P3,500,645	P -	P3,500,645
Due from BSP	*18*	**47,919,926**	**-**	**47,919,926**	24,275,196	-	24,275,196
Due from other banks		**3,819,901**	**-**	**3,819,901**	1,055,497	-	1,055,497
Interbank loans receivable and SPURA	*8*	**3,587,849**	**-**	**3,587,849**	20,114,496	-	20,114,496
Financial assets at FVPL:	*9*						
Government securities held-for-trading		**2,782,361**	**-**	**2,782,361**	180,603	-	180,603
Derivative assets		**34,795**	**28,922**	**63,717**	-	27,685	27,685
Private debt securities		**29,556**	**-**	**29,556**	-	190,505	190,505
Financial assets at FVOCI:	*10*						
Government securities		**-**	**19,036,827**	**19,036,827**	-	10,850,048	10,850,048
Equity securities		**-**	**41,807**	**41,807**	-	193,757	193,757
Investment securities at amortized cost - gross:	*11*						
Government securities		**6,882,006**	**27,583,479**	**34,465,485**	16,903,505	33,408,145	50,311,650
Private debt securities		**266,382**	**1,884,050**	**2,150,432**	78,770	2,086,893	2,165,663
Loans and receivables - gross:	*12*						
Receivable from customers:							
Term loans		**42,179,364**	**60,640,143**	**102,819,507**	30,997,471	50,199,401	81,196,872
Agri-agra loans		**6,132,221**	**7,624,835**	**13,757,056**	4,207,708	7,473,838	11,681,546
Housing loans		**481,442**	**9,083,278**	**9,564,720**	741,214	7,713,089	8,454,303
Auto loans		**579,843**	**4,499,179**	**5,079,022**	641,992	3,481,423	4,123,415
Bills purchased, import bills and trust receipts		**1,227,464**	**-**	**1,227,464**	1,050,699	-	1,050,699
Direct advances		**272,180**	**91,830**	**364,010**	477,724	99,488	577,212
Others		**1,975,573**	**693,212**	**2,668,785**	1,721,579	647,296	2,368,875
Accrued interest receivable		**1,753,888**	**-**	**1,753,888**	1,443,071	-	1,443,071
Accounts receivable		**1,573,836**	**-**	**1,573,836**	1,055,139	-	1,055,139
Sales contract receivables		**98,954**	**235,911**	**334,865**	123,040	265,521	388,561
Unquoted debt securities		**291,578**	**-**	**291,578**	291,578	-	291,578
RCOCI		**5,152**	**-**	**5,152**	93	-	93
Investment in associate	*13*	**-**	**75,395**	**75,395**	-	75,395	75,395
		126,138,395	**131,518,868**	**257,657,263**	108,860,020	116,712,484	225,572,504
Non-financial Assets - gross							
Property and equipment	*14*	**-**	**5,014,214**	**5,014,214**	-	4,910,145	4,910,145
Investment properties	*15*	**-**	**5,156,900**	**5,156,900**	-	4,802,601	4,802,601
Deferred tax assets	*32*	**-**	**447,021**	**447,021**	-	475,333	475,333
Other assets	*16*	**2,926,500**	**6,841,103**	**9,767,603**	2,351,268	6,332,408	8,683,676
		2,926,500	**17,459,238**	**20,385,738**	2,351,268	16,520,487	18,871,755
		P129,064,895	**P148,978,106**	**P278,043,001**	P111,211,288	P133,232,971	P244,444,259
Less:							
Allowance for credit and impairment losses	*17*			**P7,519,444**			P7,731,347
Accumulated depreciation and amortization	*14, 15, 16*			**4,981,095**			4,965,609
Unearned interest	*12*			**67,358**			45,388
Accumulated equity in net loss	*13*			**35,037**			33,936
Total				**P265,440,067**			P231,667,979

		2024			2023		
	Note	Within 12 Months	Over 12 Months	Total	Within 12 Months	Over 12 Months	Total
Financial Liabilities							
Deposit liabilities:	*18*						
Demand		**P63,961,972**	**P -**	**P63,961,972**	P54,569,494	P -	P54,569,494
Savings		**125,100,493**	**-**	**125,100,493**	109,667,913	-	109,667,913
Time		**17,637,099**	**278,974**	**17,916,073**	16,207,259	431,283	16,638,542
LTNCTD		**5,029,420**	**-**	**5,029,420**	-	5,029,420	5,029,420
Financial liabilities at FVPL	*9*	**45,214**	**-**	**45,214**	6,202	-	6,202
Bonds payable	*20*	**6,534,448**	**-**	**6,534,448**	7,478,265	-	7,478,265
Manager's checks		**1,414,092**	**-**	**1,414,092**	1,846,500	-	1,846,500
Accrued interest and other expenses*	*21*	**748,774**	**-**	**748,774**	1,047,574	-	1,047,574
Other liabilities**	*22*	**10,119,072**	**763,147**	**10,882,219**	3,174,414	699,632	3,874,046
		230,590,584	**1,042,121**	**231,632,705**	193,997,621	6,160,335	200,157,956
Non-financial Liabilities							
Accrued taxes and other expense payable	*21*	**349,419**	**-**	**349,419**	339,615	-	339,615
Other liabilities	*22*	**227,876**	**-**	**227,876**	192,995	126,140	319,135
		577,295	**-**	**577,295**	532,610	126,140	658,750
		P231,167,879	**P1,042,121**	**P232,210,000**	P194,530,231	P6,286,475	P200,816,706

**amounts exclude accruals of employee and other benefits, taxes payable and rent*
***amounts exclude withholding tax payable, retirement liability and ECL of loan commitments and financial guarantees*

Refer to Note 5 for the discussions on the Bank's policy on liquidity risk and funding management.

24. Capital

The Bank's capital stock consists of the following as at December 31:

	Shares			Amount		
	2024	2023	2022	**2024**	2023	2022
Authorized Capital Stock						
Common stock, P10 par value	**1,702,511,470**	1,702,511,470	1,702,511,470	**P17,025,114,700**	P17,025,114,700	P17,025,114,700
Preferred stock, P10 par value	**455,000,000**	455,000,000	455,000,000	**4,550,000,000**	4,550,000,000	4,550,000,000
	2,157,511,470	2,157,511,470	2,157,511,470	**P21,575,114,700**	P21,575,114,700	P21,575,114,700
Issued and Outstanding						
Common stock	**1,403,013,920**	1,403,013,920	1,403,013,920	**P14,030,139,200**	P14,030,139,200	P14,030,139,200
Preferred stock	**416,666,670**	416,666,670	416,666,670	**4,166,666,700**	4,166,666,700	4,166,666,700
	1,819,680,590	1,819,680,590	1,819,680,590	**P18,196,805,900**	P18,196,805,900	P18,196,805,900
Paid-in Surplus						
Common stock				**P5,995,503,421**	P5,995,503,421	P5,995,503,421
Preferred stock				**1,233,771,939**	1,233,771,939	1,233,771,939
				P7,229,275,360	P7,229,275,360	P7,229,275,360

The reconciliation of the number of shares outstanding at the beginning and at the end of the years follow:

	Common Shares			Preferred Shares		
	2024	2023	2022	**2024**	2023	2022
Balance as at January 1	**1,403,013,920**	1,403,013,920	1,122,411,120	**416,666,670**	416,666,670	416,666,670
Issuance during the year	**-**	-	280,602,800	**-**	-	-
Adjustment for 10-to-1 stock split	**-**	-	-	**-**	-	-
Balance as at December 31	**1,403,013,920**	1,403,013,920	1,403,013,920	**416,666,670**	416,666,670	416,666,670

Preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders after 5 years from issue date, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of the Bank and subject to the other terms and conditions as may be fixed by the BOD, required under regulations, and to the extent permitted by applicable law.

The Bank has outstanding liability for the unpaid portion of the redemption price of preferred shares amounting to P301.1 million and P290.1 million as at December 31, 2024 and 2023, respectively, which is recorded as "Due to preferred shareholders" account under "Other liabilities" in Note 22 to the financial statements. As at December 31, 2024 and 2023, the related sinking fund which is recorded under "Other assets" account amounting to P301.1 million and P290.1 million, respectively, has been set up to fund the eventual settlement of this liability (see Note 16).

On April 8, 2010, the SEC approved the Bank's application for the increase in authorized capital stock from P6.0 billion, divided into 52.5 million common shares and 7.5 million preferred shares both with the par value of P100 each, to P22.0 billion divided into 212.5 million common shares and 7.5 million preferred shares both with the par value of P100 each. The related amendment to the Articles of Incorporation of the Bank relative to its proposed increase in authorized capital stock from P6.0 billion to P22.0 billion was approved by BSP and the SEC on March 26, 2010 and April 8, 2010, respectively.

During its meeting on January 18, 2011, the BOD of the Bank passed a resolution approving the following:

- the sale of fully paid shares of Valiant Ventures & Development Holdings, Inc. (Valiant) in the Bank to SMPI and SMCRP amounting to 2,800,000 shares and 1,972,735 shares, respectively; and

- the assignment of subscription rights of Valiant to SMPI amounting to 523,726 shares (Tranche 1) and 4,713,539 shares (Tranche 2).

In connection to this, the Bank secured the approval of the MB of BSP for such sale of shares and assignment of subscription of the shares of Valiant. This is mandated in BSP's MORB since the total shareholdings of Valiant entitles it to a board seat. The Board also approved that the sale of shares and assignment of subscription rights be recorded in the stock and transfer book of the Bank only after the approval of the MB has been obtained.

On March 30, 2011, the MB of BSP approved the sale of shares of Valiant. In 2011, the Bank's subscribed common stock totaling 59,741,113 shares have been fully paid in accordance with the subscription agreement.

On April 30, 2019, the BOD and the Stockholders approved to amend the Articles of Incorporation to deny pre-emptive rights. The said amendment was approved by the BSP on August 16, 2019 and by the SEC on September 5, 2019.

On January 30, 2020, the BOD and the Stockholders approved the amendment of the Articles of Incorporation to (a) reflect that the Bank's terms of existence shall be perpetual (b) retire 4,248,853 redeemed preferred shares thereby decreasing the Bank's authorized capital stock to P21,575,114,700 (c) reclassify 3,251,147 existing unissued preferred shares into new unissued preferred shares and (d) reclassify 42,248,853 existing unissued common shares into new unissued preferred shares. The amendments resulted in total new preferred shares of 45,500,000 with par value of P100 and decrease in common shares to 170,251,147 with par value of P100. These were approved by the BSP on May 21, 2020 and by the SEC on June 9, 2020.

On January 26, 2021, the BOD approved the issuance of 41,666,667 preferred shares to San Miguel Corporation at P132.0 per share. These shares will be issued out of the unissued Series 1 Preferred Shares of the Bank. On March 8, 2021, the Bank received from BSP a "No Objection" to the provisions in the indicative terms and conditions of these Preferred Shares, provided that the Bank shall continuously comply with the regulation for the inclusion of preferred shares as part of Additional Tier 1 capital under Appendix 59, Risk-based Capital Adequacy Framework for the Philippines Banking System, of the Manual Regulations for Banks. On June 29, 2021, the BOD approved the change of investor for preferred shares from San Miguel Corporation to SMC Equivest Corporation, a wholly owned subsidiary of San Miguel Corporation and an existing stockholder of the Bank. On August 5, 2021, the Bank issued 41,666,667 Series 1 Preferred Shares to SMC Equivest Corporation at P132.0 per share. Transaction costs on the issuance of preferred shares amounting to P99.6 million were charged against "Paid-in surplus".

On May 25, 2021 and July 8, 2021, the BOD and the Stockholders, respectively, approved the amendment of the Bank's Articles of Incorporation to the par value of common and preferred shares from One Hundred Pesos (P100.0) to Ten Pesos (P10.0). The amendment resulted in increase in common shares from 170,251,147 to 1,702,511,470 and increase in preferred shares from 45,500,000 to 455,000,000. This amendment was approved by the BSP on October 4, 2021 and by the SEC on November 2, 2021.

On October 28, 2021 and November 9, 2021, the BOD and Stockholders, respectively, approved the primary public offer and sale of up to 280,700,000 common shares from unissued capital stock. On February 15 and February 16, 2022, the SEC and the PSE, respectively, approved the application for the Initial Public Offer of the Bank. On March 31, 2022, the Bank listed its common shares with the PSE. The Bank offered and issued new common shares to the public up to 280,602,800 at P12.0 per share. Transaction costs on the issuance of common shares amounting to P108.6 million were charged against "Paid-in surplus".

On October 28, 2021 and November 9, 2021, the BOD and the Stockholders also approved the amendment to the Articles of Incorporate to align sections around the sale, assignment, and disposal of shares with the lock up requirements of the Philippine Stock Exchange. The By-laws were also amended to update sections on stockholders, the Board of Directors, certificates of stock and the transfer of shares of stock. On December 31, 2021, the BSP approved the request of the Bank to amend its Articles of Incorporation and By-laws. The amendment on the Bank's Articles of Incorporation and By-laws was approved by the SEC on January 28, 2022.

On February 22, 2022 and April 29, 2022, the BOD and the Stockholders, respectively, approved the amendments to the Articles of Incorporation to change its purpose from a Commercial Bank to a Universal Bank pursuant to BSP MB Resolution No. 1798 dated December 23, 2021. The By-laws were also amended to comply with Sections 28 and 52 of the Revised Corporation Code. The amendment on the Bank's Articles of Incorporation and By-laws was approved by the BSP on June 29, 2022 and by the SEC on August 9, 2022.

Subject to the approval of the relevant government regulatory agencies, the Stockholders and BOD approved on April 25, 2023 and February 28, 2023, respectively, the amendment of the Articles of Incorporation to increase the Bank's authorized capital stock from P21,575,114,700 (divided into 1,702,511,470 common shares and 455,000,000 preferred shares) to P28,198,773,840 (divided into 2,364,877,384 common shares and 455,000,000 preferred shares). As of December 31, 2024, the Bank is in process of completing the documentary requirements necessary to obtain BSP approval.

The Stockholders and BOD approved on April 30, 2024 and February 27, 2024, respectively, the amendments to the By-laws to (a) specify the date of the annual stockholders' meeting and (b) align with relevant rules and regulations, such as Section 132 of the MORB and Section 34 of the Revised Corporation Code. The Stockholders likewise approved on April 30, 2024 the authority to delegate to the BOD the power to amend or repeal the current by-laws or enact a new one. On August 22, 2024 and October 8, 2024, the BSP and SEC, respectively, approved the amendments to the By-laws.

Cash Dividend

On May 28, 2024, the BOD declared cash dividends amounting to P654.9 million or equivalent to P0.2512 per common share and P0.7260 per preferred share, payable on July 15, 2024 to all stockholders of record as of June 19, 2024.

Equity Restructuring

On March 29, 2021, the BOD approved the Bank to undergo equity restructuring to wipe out the deficit amounting to P51,156,715 as at December 31, 2020 through the use of the Bank's Paid-in surplus.

On July 12, 2021, the Bank received from BSP a "No Objection" response to its application for equity restructuring with the SEC, subject to the (i) Bank's compliance with the Commission's other requirements; and (ii) condition that the Bank shall provide BSP a certified true copy of SEC's approval of the equity restructuring within five (5) days from receipt thereof.

On October 14, 2021, the SEC approved the equity restructuring to wipe-out the deficit as at December 31, 2020 amounting to P51,156,715 against the Paid-in surplus of P5.6 billion subject to the conditions that the remaining Paid-in surplus of P5.5 billion cannot be applied for future losses that may be incurred by the Bank without prior approval of the SEC.

Capital Management

The Bank's capital base, comprised of capital stock, paid-in surplus and surplus reserves, is actively being managed to cover risks inherent in the Bank's operations. In 2009, SMPI and SMCRP infused additional capital amounting to P3.3 billion in the form of paid-up common stock. On February 18, 2010 and March 1, 2010, major stockholders infused P271.9 million and P2.1 billion, respectively, into the Bank in the form of advances for future stock subscriptions, which shall be treated as part of the Bank's paid-up capital upon the SEC's approval thereon and on the increase in the Bank's authorized capital stock.

On August 5, 2021, SMC Equivest Corporation infused additional capital amounting P5.5 billion in the form of paid-up preferred stock. This is in support of the application of the Bank for an upgrade of its commercial banking license to a universal banking license. On March 31, 2022, the Bank listed its common shares with the PSE and raised P3.4 billion in additional capital as part of the requirements for the upgrade.

Under Section 121 of the MORB, *Minimum Required Capital,* the minimum capitalization requirement applicable for the Bank (universal banks with more than 100 branches) amounted to P20.0 billion. The Bank achieved this level with the August 2021 infusion of additional capital mentioned above. On December 23, 2021, the BSP approved the upgrade of the Bank's banking license from commercial bank to universal bank (UB) subject to certain regulatory requirements. On October 24, 2022, the Bank received from the BSP the Certificate of Authority to Operate as a Universal Bank dated October 4, 2022. As at December 31, 2024 and 2023, the reported unimpaired capital of the Bank amounted to P32.1 billion and P29.7 billion, respectively.

The guidelines on Bank's ICAAP under Section 130 and Appendices 94, 95 and 96 of the MORB supplements the BSP's risk-based capital adequacy framework. In compliance with this new circular, the Bank has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Bank. The level and structure of capital are assessed and determined in light of the Bank's business environment, plans, performance, risks and budget; as well as regulatory edicts. The deadline for submission of ICAAP documents is March 31 of each year.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of Regulatory Accounting Principles which differ from PFRS Accounting Standards in some respects.

The BSP sets and monitors compliance to minimum capital requirements for the Bank. In implementing current capital requirements, BSP issued Circular 538, *Revised Risk-Based Capital Adequacy Framework for Universal and Commercial Banks and their Subsidiary Banks and Quasi-Banks,* which implemented the Revised Risk-Based Capital Adequacy Framework under Basel II effective July 1, 2007. It requires the Bank to maintain a prescribed risk-based capital adequacy ratio (expressed as a percentage of qualifying capital to risk-weighted assets) of not less than 10.0%.

Under Section 125 and Appendix 59 of the MORB, the regulatory qualifying capital of the Bank consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprised common stock, additional paid-in capital and surplus. Tier 2 composed upper tier 2 and lower tier 2. Upper tier 2 consists of preferred stock, revaluation increment reserve, general loan loss provision and deposit for common stock subscription. Lower tier 2 consists of the unsecured subordinated debt.

The following are the minimum capital requirements for UBs and KBs and their subsidiary banks and quasi-banks (QBs):

- 6.0% Common Equity Tier 1 (CET1)/Risk-Weighted Assets (RWAs)
- 7.5% Tier 1 Capital/RWAs, and
- 10.0% Total Qualifying Capital (Tier1 plus Tier2)/RWAs

The Qualifying Capital must consist of the sum of the following elements, net of required deductions: Tier 1-'going concern' [CET1 plus Additional Tier 1] and Tier 2 - 'gone concern.' A bank/quasi-bank must ensure that any component of capital included in qualifying capital complies with all the eligibility criteria for the particular category of capital in which it is included. The Circular further describes the elements/criteria that a domestic bank should meet for each capital category. Regulatory adjustments and calculation guidelines for each capital category are also discussed.

In conformity with the Basel III standards, a Capital Conservation Buffer (CCB) of 2.5% of RWAs, comprised of CET1 capital, has been required of U/KBs and their subsidiary banks and quasi-banks. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down by banks to absorb losses during financial and economic stress.

The CET1 capital requirement includes as an additional capital buffer, the Countercyclical capital buffer (CcyB) of zero percent (0%) subject to upward adjustment to a rate determined by the MB when systemic conditions warrant but not to exceed two and a half percent (2.5%). Any increases in the CcyB rate shall be effective 12 months after announcement while decreases shall be effective immediately.

The countercyclical buffer requirement will extend the size of the capital conservation buffer. A bank shall not be subject to any restriction on distribution if the following conditions are met:

- Has positive retained earnings as of the preceding quarter and has complied with the requirements on the declaration of dividends as provided in the MORB;

- Has CET1 of more than the total required (minimum CET1 ratio of 6.0% plus CCB of 2.5% plus CcyB at the rate determined by the MB) before distribution; and

- Has complied with the minimum capital ratios (CET1 ratio of 6.0%, Tier 1 ratio of 7.5% and 10.0% CAR) after the distribution.

Otherwise, the policy framework of the capital conservation buffer on the restriction on distributions shall apply, except for drawdowns. Thresholds on the restriction on distribution shall consider the CcyB requirement as an extension of the capital conservation buffer.

As at December 31, 2024 and 2023, based on the CAR reports submitted to BSP, the Bank's CAR of 17.58% and 19.88%, respectively, exceeded the minimum 10.0% requirement as computed and monitored using the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios"), based on the Basel III framework. The increase in the CAR ratio was primarily due to the increase in undivided profits and decrease in the credit risk weighted amount of contingent account (domestic standby letters of credit).

The breakdown of the Bank's risk-weighted assets as at December 31, 2024 and 2023 as reported to BSP follows (amounts in thousands):

	2024	2023
Credit risk-weighted assets	**P160,363,565**	P131,091,150
Market-risk weighted assets	**14,407,072**	313,854
Operational risk-weighted assets	**1,512,215**	12,140,350
	P176,282,852	P143,545,354

The Bank is also required to maintain a minimum Tier 1 capital ratio of 7.5% in 2024 and 2023 (in millions) as reported to BSP which was compiled as per below:

	2024	2023
Tier 1 capital	**P29,638**	P27,396
Tier 2 capital	**1,347**	1,139
Total qualifying capital	**P30,985**	P28,535
CET1 capital	**P24,237**	P21,996
Risk-weighted assets	**P176,283**	P143,545
CET1 ratio	**13.75%**	15.32%
Tier 1 capital ratio	**16.81%**	19.09%
Total capital ratio	**17.58%**	19.88%

Certain adjustments are made to PFRS Accounting Standards results and reserves to calculate CAR which included the Bank's accounting of the following transactions that require different accounting treatments under PFRS Accounting Standards:

a) non-performing assets and operating losses of TRB capitalized as miscellaneous assets and subject to staggered allowance provisioning;

b) accounting for investment properties.

The recognition of the Bank for prudential reporting is based on the accounting treatment approved by BSP (see Notes 15 and 16).

Under Section 129 of the MORB Basel III, leverage ratio is designed to act as supplementary measure to the risk-based capital requirements. It is defined as the capital measure (numerator) divided by the exposure measure (denominator). The leverage ratio shall not be less than 5.0% computed on both solo (head office plus branches) and consolidated bases (parent bank plus subsidiary financial allied undertakings but excluding insurance companies).

The Bank exceeded the minimum leverage ratio of 5.0% as at December 31, 2024 and 2023 which was complied as per below breakdown (amounts in thousands):

	2024	2023
Capital measure	**P29,637,638**	P27,396,326
Exposure measure	**278,642,739**	246,764,987
Leverage ratio	**10.64%**	11.10%

The LCR framework under Section 145 of the MORB promotes short-term resilience of liquidity risk profile of a bank. The LCR is the ratio of HQLAs to total net cash outflows. Under normal situation, the value of the ratio should be no lower than 100.0% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against the potential onset of liquidity stress. The compliance with the LCR minimum requirement commenced on January 01, 2018 and the prescribed minimum shall be set initially at 90% for 2018 and raised to the minimum level of 100% on January 01, 2019.

Based on the LCR reports submitted to the BSP as at December 31, 2024 and 2023, the Bank's LCR were 178.68% and 213.86%, respectively, which were above the prescribed minimum requirement set at 100.0%.

While the NSFR promotes long-term resilience of banks against liquidity risk and maintains stable funding profile in relation to the composition of its assets and off-balance sheet activities. The implementation of the minimum NSFR was phased-in, banks undergone observation period from July 1, 2018 up to December 31, 2018 while actual implementation commenced on January 01, 2019. The NSFR is the ratio of Bank's available stable funding to its required stable funding and shall maintain at least 100.0% at all times.

As at December 31, 2024 and 2023, the reported NSFR of 145% and 164%, respectively, exceeded the required minimum of 100%.

This applies to UB/KBs as well as their subsidiary banks and quasi-banks with the framework anchored on the international standards issued by the Basel Committee on Banking Supervision known as the Basel 3 reforms.

25. Surplus Reserve

	2024	2023	2022
Reserve for general provision - special reserve	**P939,993,441**	P877,491,849	P775,206,634
Reserve for trust business	**169,052,115**	157,512,612	148,200,862
Reserve for self-insurance	**60,000,000**	60,000,000	60,000,000
	P1,169,045,556	P1,095,004,461	P983,407,496

Reserve for General Provision - Special Reserve

The BSP, through Circular No. 1011, *Guidelines on the Adoption of the PFRS 9*, requires appropriation of the Bank's retained earnings in case the computed allowance for credit losses on loans based on PFRS 9 is less than the BSP required 1.0% general provision on outstanding Stage 1 on-balance sheet loans, except for accounts considered as risk-free under existing regulations. Additional appropriation for reserve for general provision amounted to P62.5 million, P102.3 million, and P218.6 million in 2024, 2023 and 2022, respectively.

Reserve for Trust Business
In compliance with BSP regulations, 10.0% of the Bank's profit from trust business is appropriated to surplus reserve. This yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Bank's authorized capital stock. Additional appropriation for reserve for trust business amounted to P11.5 million, P9.3 million, and P9.0 million in 2024, 2023 and 2022, respectively.

Reserve for Self-insurance
Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation and other unlawful acts of the Bank's personnel or third parties. No additional appropriation for Reserve for self-insurance was made in 2024, 2023, and 2022.

26. Interest Income on Debt Securities

This account consists of:

	Note	**2024**	2023	2022
Investment securities at amortized cost:	*11*			
Government securities		**P1,751,627,968**	P1,716,340,695	P1,370,841,465
Private debt securities		**80,500,659**	85,656,947	100,869,054
Financial assets at FVOCI:	*10*			
Government securities		**854,777,572**	445,722,527	204,988,977
Private debt securities		**-**	-	5,085,038
		2,686,906,199	2,247,720,169	1,681,784,534
Financial assets at FVPL:	*9*			
Government securities held for trading		**126,909,743**	21,561,207	4,603,469
		P2,813,815,942	P2,269,281,376	P1,686,388,003

Foreign currency-denominated investment securities at amortized cost bear EIRs ranging from 0.8% to 5.3% in 2024 and 2023, and from 0.8% to 3.7% in 2022. Peso-denominated investment securities at amortized cost bear EIRs ranging from 2.3% to 8.1% in 2024 and 2023 and from 1.4% to 8.1% in 2022.

Foreign currency-denominated financial assets at FVOCI bear EIRs ranging from 2.6% to 4.5% in 2024 and 2023, and from 0.9% to 2.8% in 2022. Peso-denominated financial assets at FVOCI bear EIRs ranging from 3.6% to 6.8% in 2024, from 3.6% to 6.9% in 2023, and from 3.6% to 6.7% in 2022.

Foreign currency-denominated financial assets at FVPL bear annual interest rates ranging from 2.2% to 8.6% in 2024, from 1.6% to 8.6% in 2023, and from 0.2% to 8.6% in 2022. Peso-denominated financial assets at FVPL bear annual interest rates ranging from 2.6% to 8.6%, from 2.6% to 9.3%, and from 0.6% to 8.1% in 2024, 2023, and 2022, respectively.

27. Service Charges, Fees and Commissions

Service Charges, Fees and Commissions - Income
This account consists of:

	2024	2023	2022
Underwriter and arranger's fees	**P292,684,017**	P148,709,683	P95,900,297
Credit card fees	**190,895,182**	179,629,720	147,516,114
Trust income	**185,602,042**	174,904,628	152,971,718
Service charges	**161,058,043**	157,871,633	148,551,460
Letters of credit fees	**109,140,234**	77,530,188	122,780,721
Fees and commissions	**68,341,607**	55,744,047	48,792,533
Penalty charges	**23,763,728**	34,546,673	31,346,781
Remittance fees	**21,052,949**	37,065,138	41,087,314
Commitment fees	**9,352,113**	10,144,513	55,783,132
Telegraphic transfer fees	**3,979,921**	3,375,067	2,715,963
Others	**8,894,038**	6,858,195	10,185,844
	P1,074,763,874	P886,379,485	P857,631,877

Underwriter and arranger's fees are earned by the Bank as compensation for underwriting a public offering, placing an issue in the market or arranging a private placement of debt.

Service charges include charges on loans, ATM fees and deposit taking-related activities.

Others include commission on acceptance fee, insurance, auto and housing loans processing fee and sale of demand drafts.

Service Fees and Commissions - Expenses
This account consists of:

	2024	2023	2022
Transaction and service fees	**P328,732,411**	P273,919,598	P187,294,357
Mastercard fees	**95,687,054**	77,654,916	59,034,910
Fees and commissions	**63,644,608**	58,759,010	43,533,852
Others	**7,056,231**	7,590,497	3,466,436
	P495,120,304	P417,924,021	P293,329,555

Others include processing fees, handling fees and various other charges.

28. Trading and Investment Securities Gains (Losses) - net

This account consists of realized and unrealized gains (losses) from the following securities:

	Note	**2024**	2023	2022
Financial assets and liabilities at FVPL:				
Debt securities:				
Unrealized	*9*	**(P1,017,785)**	P22,810,265	P3,032,696
Realized		**(1,645,410)**	(19,188,811)	(32,249,257)
Equity securities:				
Realized		**-**	12,535	-
Financial assets at FVOCI	*10*	**1,623,076**	6,964,361	-
		(P1,040,119)	P10,598,350	(P29,216,561)

29. Employee Benefits

Compensation and Fringe Benefits

The details of the following accounts in 2024, 2023 and 2022 follow:

	2024	2023	2022
Salaries and allowances	**P1,504,714,424**	P1,326,204,346	P1,097,273,510
Bonuses	**508,400,000**	460,950,000	349,320,000
Employee benefits	**440,596,896**	337,516,981	293,658,369
Retirement benefits	**135,889,019**	91,753,151	123,585,814
Overtime	**47,195,764**	41,971,618	40,973,832
	P2,636,796,103	P2,258,396,096	P1,904,811,525

Retirement Plan

The Bank has a funded noncontributory defined benefit retirement plan covering its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using projected unit credit method.

The Bank's retirement benefits are based on the employee's years of service and a percentage of his gross monthly salary. An employee shall be retired and shall be entitled to full retirement benefits upon his attainment of 60 years of age.

An employee, upon reaching the age of 50 years and with the completion of no less than 10 years of service as a regular employee and with 30 days prior notice to the Bank, may retire at his option and shall be entitled to the retirement benefits.

An employee who has at least 10 years of service as a regular employee, but who has not reached the age of 50 years, may retire at his option and shall be entitled to the retirement benefits but such retirement benefit shall be subject to the pertinent requirements of the Bureau of Internal Revenue (BIR).

The Bank's retirement plan is registered with the BIR as a tax-qualified plan under RA No. 4917, as amended, and complies with the minimum retirement benefit specified under RA No. 7641, the "New Retirement Law."

The date of the last actuarial valuation is December 31, 2024. Valuations are performed on an annual basis.

As at December 31, 2024, 2023 and 2022, the principal actuarial assumptions used in determining retirement benefits liability for the Bank's retirement plan are shown below:

	2024	2023	2022
Average working life	**9.0**	13.0	13.0
Discount rate	**6.1%**	6.1%	7.6%
Future salary increases	**6.6%**	6.6%	6.6%

The mortality rates used in the valuation were based on the 1985 Unisex Annuity Table (UAT). The 1985 UAT was derived from the experience of the Government Service Insurance System from 01 January 1977 to 31 December 1981, a period of five years. The 1985 UAT has been adjusted to reflect improvements in mortality experience since its original construction. The disability rates used in the valuation were based on 100% of the adjusted 1952 Disability Table, reflecting improvement in Philippine disability experience.

The following table shows reconciliation from the opening balances to the closing balances for net retirement benefit liability (assets) and its components (in thousands).

	Defined Benefits Obligation			**Fair Value of Plan Assets**			**Net Retirement Benefit Liability (Asset)**		
	2024	2023	2022	**2024**	2023	2022	**2024**	2023	2022
Balance at January 1	**P1,343,134**	P1,027,606	P1,244,156	**(P1,216,994)**	(P1,100,754)	(P1,085,608)	**P126,140**	(P73,148)	P158,548
Included in Profit or Loss									
Current service cost	**128,195**	94,990	115,658	**-**	-	-	**128,195**	94,990	115,658
Interest expense (income)	**81,931**	77,119	62,208	**(74,237)**	(80,356)	(54,280)	**7,694**	(3,237)	7,928
	210,126	172,109	177,866	**(74,237)**	(80,356)	(54,280)	**135,889**	91,753	123,586
Included in OCI									
Remeasurement loss (gain):									
Actuarial loss (gain) arising from:									
Financial assumptions	**(50,935)**	167,475	(299,036)	**-**	-	-	**(50,935)**	167,475	(299,036)
Experience adjustment	**29,700**	81,345	18,033	**-**	-	-	**29,700**	81,345	18,033
Return on plan assets excluding interest income	**-**	-	-	**(12,811)**	39,176	96,178	**(12,811)**	39,176	96,178
	(21,235)	248,820	(281,003)	**(12,811)**	39,176	96,178	**(34,046)**	287,996	(184,825)
Others									
Contributions paid by the employer	**-**	-	-	**(655,273)**	(180,461)	(170,457)	**(655,273)**	(180,461)	(170,457)
Benefits paid	**(109,571)**	(105,401)	(113,413)	**109,571**	105,401	113,413	**-**	-	-
	(109,571)	(105,401)	(113,413)	**(545,702)**	(75,060)	(57,044)	**(655,273)**	(180,461)	(170,457)
Balance at December 31	**P1,422,454**	P1,343,134	P1,027,606	**(P1,849,744)**	(P1,216,994)	(P1,100,754)	**(P427,290)**	P126,140	(P73,148)

The movements of the remeasurement losses on retirement liability of the Bank follow:

	2024	2023	2022
Balance at beginning of year	**P365,718,897**	P77,723,200	P262,547,387
Remeasurement losses (gains) on:			
Defined benefits obligation	**(21,234,266)**	248,820,103	(281,002,208)
Plan assets	**(12,811,490)**	39,175,594	96,178,021
Net change in remeasurement losses (gains) recorded in OCI	**(34,045,756)**	287,995,697	(184,824,187)
Balance at end of year	**P331,673,141**	P365,718,897	P77,723,200

The actual return on plan assets amounted to P87.0 million and P41.2 million in 2024 and 2023, respectively.

Since the current fund assets cover the accrued liability and normal cost, the Bank does not expect to contribute to its defined benefits retirement plan in 2025.

The major categories of the fair value of plan assets as at December 31, 2024 and 2023 follow:

	2024	2023
Investment securities:		
Government and other debt securities	**P1,185,718,267**	P526,163,095
Quoted equity securities	**488,000,625**	339,884,175
Unquoted equity securities	**2,600**	2,600
Deposits with the bank	**47,946,914**	131,963,457
Loans receivables	**107,910,000**	206,022,617
Other receivables	**20,165,796**	12,958,486
Total Plan Assets	**P1,849,744,202**	P1,216,994,430

Sensitivity Analysis
Reasonably possible changes to one of the relevant actuarial assumptions, with all other assumptions constant, would have affected the net retirement liability of the Bank by the amounts shown below:

	December 31, 2024			
	Discount Rate		**Salary Increase Rate**	
	+1.00%	**-1.00%**	**+1.00%**	**-1.00%**
Present value of the defined benefit obligation	**P1,318,315,459**	**P1,541,173,741**	**P1,529,824,281**	**P1,326,241,221**
Fair value of plan assets	**(1,849,744,202)**	**(1,849,744,202)**	**(1,849,744,202)**	**(1,849,744,202)**
Net retirement liability (assets)	**(P531,428,743)**	**(P308,570,461)**	**(P319,919,921)**	**(P523,502,981)**

	December 31, 2023			
	Discount Rate		Salary Increase Rate	
	+1.00%	-1.00%	+1.00%	-1.00%
Present value of the defined benefit obligation	P1,225,926,087	P1,479,462,857	P1,468,882,977	P1,232,640,544
Fair value of plan assets	(1,216,994,429)	(1,216,994,429)	(1,216,994,429)	(1,216,994,429)
Net retirement liability (assets)	P8,931,658	P262,468,428	P251,888,548	P15,646,115

The maturity analyses of the undiscounted benefit payments as at December 31, 2024 and 2023 are as follows:

	2024	2023
1 - 5 years	**P737,989,897**	P541,608,869
6 - 10 years	**1,194,923,143**	1,101,752,171
11 - 15 years	**946,660,214**	1,086,406,759
16 years and up	**3,185,757,321**	5,407,534,068
	P6,065,330,575	P8,137,301,867

The defined benefit plans expose the Bank to actuarial risks, such as longevity risk, interest risk, and market (investment risk).

The overall investment policy and strategy of the retirement plan is based on the Bank's suitability assessment, as provided by its Trust Services Group, in compliance with BSP requirements.

The weighted average duration of the defined benefit obligations is 8 years and 9 years, respectively, as at December 31, 2024 and 2023. The expected average remaining working lives as at December 31, 2024 and 2023 are 9 years and 13 years, respectively.

30. Rent and Utilities

The table below shows the breakdown of rent and utilities in 2024, 2023, and 2022.

	2024	2023	2022
Security services	**P225,991,810**	P197,680,447	P220,318,339
Repairs and maintenance	**164,478,895**	199,706,881	187,630,410
Rent expense	**93,868,520**	81,928,780	68,792,512
Power, light, water	**76,876,406**	112,852,064	105,967,062
Janitorial services	**47,405,771**	42,226,915	38,559,704
Insurance	**14,074,959**	13,302,902	10,281,940
Total	**P622,696,361**	P647,697,989	P631,549,967

Insurance refers to the insurance for the Bank's property and equipment.

Bank as Lessee

The Bank leases the premises occupied by most of its branches. The lease contracts are for periods ranging from 1 to 15 years and are renewable upon mutual agreement between the Bank and the lessors. Various lease contracts include escalation clauses, most of which bear an annual rent increase ranging from 2.0% to 25.0%.

The Bank also leases parking space, ATM location, signage and storage with contract term of 1 year. These leases are short-term and/or leases of low value items. The Bank has elected not to recognize right-of-use assets and lease liabilities for these leases. Rent expenses related to these contracts are charged against current operations (included under "Rent and utilities" account in the statements of income).

Information about leases for which the Bank is a lessee is presented below:

Right-of-Use Assets

Right-of-use assets relate to leased branch and office premises. Details of right-of-use assets are presented within property and equipment (see Note 14).

Lease Liabilities

See Note 5 for maturity analysis of lease liabilities as at December 31, 2024 and 2023.

The table below shows the amounts recognized in the statements of income in 2024, 2023 and 2022 related to leases under PFRS 16 (amounts in millions).

	2024	2023	2022
Interest on lease liabilities	**P39.2**	P32.8	P28.2
Expenses relating to short-term leases	**78.2**	70.0	59.1
Expenses relating to lease of low-value assets, excluding short-term leases of low-value assets	**15.7**	12.0	9.7

Total cash outflow for leases recognized in 2024, 2023 and 2022 amounted to P340.3 million, P320.1 million, and P303.2 million, respectively.

Bank as Lessor

The Bank leases out its commercial properties for office space. The Bank has classified these leases as operating leases because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

Rental income recognized by the Bank on its commercial properties (shown under "Miscellaneous" in the statements of income) for the years ended December 31, 2024, 2023, and 2022 were P0.4 million, P1.6 million, and P1.8 million, respectively, and includes rental income on investment properties (Note 15). The Bank also recognized income from the use of safety deposit boxes amounted to P2.9 million in 2024 and P3.0 million in 2023 and 2022 (see Note 31).

As at December 31, 2024 and 2023, the Bank has no future rental receivables under non-cancellable operating lease.

31. Miscellaneous Income and Expenses

Miscellaneous Income
This account consists of:

	Note	**2024**	2023	2022
Passed-on GRT		**P30,904,732**	P50,377,835	P40,574,554
Dividend income	*10*	**3,855,229**	5,604,161	1,612,352
Rent income	*30*	**3,384,031**	4,602,172	4,834,797
Others		**64,431,027**	84,692,214	68,157,678
		P102,575,019	P145,276,382	P115,179,381

Others include recovery from charged-off assets and excess chattel fees. Recovery from charged-off assets amounted to P23.9 million, P71.1 million, and P56.1 million, respectively, in 2024, 2023 and 2022.

Miscellaneous Expenses
This account consists of:

	2024	2023	2022
Marketing	**P104,522,119**	P103,566,171	P57,421,253
Supervision and examination fee	**74,970,716**	83,011,437	67,926,910
Communications	**68,901,123**	79,890,227	77,156,091
Forms and supplies	**47,167,702**	51,808,966	45,915,052
Messengerial services	**40,360,550**	39,440,243	36,985,834
Litigation and acquired assets-related expenses	**39,850,996**	27,984,321	16,391,828
Transportation and travel	**32,538,500**	42,598,156	26,500,086
Membership dues	**22,817,813**	27,594,750	20,809,127
Fines and penalties	**584,538**	3,372,381	71,713,640
Others	**66,371,525**	60,526,331	125,759,860
	P498,085,582	P519,792,983	P546,579,681

Others include management fee on deposits, charges on correspondent banks, royalty fees, other provisions and postage.

32. Income and Other Taxes

Income and other taxes are comprised of RBU and FCDU taxes which are discussed as follows:

Regular Banking Unit
Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented under "Taxes and licenses" account in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes.

Income tax expense include corporate income tax, as discussed below, and final taxes paid at the rate of 20.0%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises Act* (CREATE Law), was signed into law and took effect on April 11, 2021. The following are certain provisions of the National Internal Revenue Code of 1997 that were amended and relevant to the Bank:

- Regular corporate income tax rate is decreased from 30% to 25% starting July 1, 2020;

- Minimum corporate income tax rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;

- The allowable deduction for interest expense shall be reduced by 20% of interest income subjected to final tax, instead of the previous 33%; and

- The imposition of 10% tax on improperly accumulated retained earnings is repealed.

The MCIT and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, over a 3-year period from the year of incurrence.

In 2011, the BIR issued RR 4-2011, *Proper Allocation of Costs and Expenses amongst income earning of banks and Other Financial Institutions for Income Tax Reporting Purposes*, which requires banks to allocate and claim as deduction only those costs and expenses attributable to RBU to arrive at the taxable income of the RBU subject to regular income tax. Any cost or expense related with or incurred for the operations FCDU are not allowed as deduction from the RBU's taxable income. In computing for the amount allowable as deduction from RBU operations, all costs and expenses should be allocated between the RBU and FCDU by specific identification and by allocation. In a Decision dated December 1, 2021, the Supreme Court declared RR 4-2011 void for having issue ultra vires. It ruled that RR 4-2011 unduly contravened and expanded the provisions of the Tax Code. The Supreme Court Decision became final and executory on June 7, 2022, and was recorded in the Book of Entries of Judgement.

Foreign Currency Deposit Unit
RA No. 9294, the existing applicable tax regulation governing the taxation of FCDU, provides, among others, the following:

- Offshore income or the income derived by FCDUs from foreign currency transactions with nonresidents, Offshore Banking Units (OBUs) in the Philippines, local commercial banks including branches of foreign banks that may be authorized by BSP to transact business with FCDUs and other depository banks under the foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the MB to be subject to the regular income tax payable by banks.

- Gross onshore income or interest income from foreign currency loans granted by FCDUs to residents through offshore units in the Philippines or other depository banks under the expanded system shall be subject to final tax at a rate of 10.0%; and

- Interest income derived by resident individual or corporation on deposits with FCDUs and OBUs are subject to 15.0% final tax.

Income tax expense consists of:

	2024	2023	2022
Current:			
Final	**P773,895,471**	P728,807,543	P523,060,497
MCIT	**110,350,681**	-	-
RCIT	**6,155,999**	93,876,511	73,242,737
Tax benefit	**-**	(25,186,431)	(61,363,313)
	890,402,151	797,497,623	534,939,921
Deferred	**27,366,145**	136,393,568	131,415,328
	P917,768,296	P933,891,191	P666,355,249

The amount of tax benefit relates to MCIT of prior periods that was used to reduce current tax payable.

The amount of deferred income tax relates to the origination and reversal of temporary differences.

The reconciliation of the income tax expense computed at the statutory tax rate to the effective income tax shown in the statements of income follows:

	2024	2023	2022
Income before income tax expense	**P3,942,707,406**	P3,736,110,366	P2,466,423,849
Income tax at statutory rate	**P985,676,852**	P934,027,592	P616,605,962
Additions to (reductions in) income taxes resulting from the tax effects of:			
Nondeductible expenses	**219,014,569**	192,649,750	114,721,794
Tax paid income	**(207,327,724)**	(157,558,235)	(56,603,094)
Nontaxable income	**(38,977,837)**	(62,716,480)	(6,127,328)
Changes in unrecognized deferred tax assets	**(10,502,984)**	59,498,560	26,098,741
FCDU income	**(5,487,915)**	(25,552,958)	(23,316,140)
Others	**(24,626,665)**	(6,457,038)	(5,024,686)
Effective income tax	**P917,768,296**	P933,891,191	P666,355,249

The components of net deferred tax assets and deferred tax liabilities in the statements of financial position follow:

	Beginning Balance (December 31, 2023 Tax Effect)	**Amount (Charged) Credited to Profit or Loss**	**Amount Recognized in OCI**	**Ending Balance (December 31, 2024 Tax Effect)**
Deferred tax assets:				
Allowance for credit and impairment losses	**P594,762,020**	**(P32,137,234)**	**P -**	**P562,624,786**
Accumulated depreciation on foreclosed properties	**219,129,112**	**24,070,990**	**-**	**243,200,102**
Lease liability	**148,341,109**	**17,056,627**	**-**	**165,397,736**
Accrued employee benefits and other expenses	**164,455,579**	**(23,522,577)**	**-**	**140,933,002**
Unamortized past service cost	**-**	**142,862,686**	**-**	**142,862,686**
Unrealized loss on foreclosed properties	**60,786,237**	**(6,280,985)**	**-**	**54,505,252**
Excess of MCIT over RCIT	**-**	**43,060,009**	**-**	**43,060,009**
Accrued rent expense	**1,036,852**	**240,518**	**-**	**1,277,370**
	1,188,510,909	**165,350,034**	**-**	**1,353,860,943**
Deferred tax liability:				
Unrealized gain on foreclosed properties	**(436,144,626)**	**(34,575,534)**	**-**	**(470,720,160)**
Retirement benefits	**(59,894,848)**	**(129,846,007)**	**-**	**(189,740,855)**
Right-of-use asset	**(136,498,762)**	**(16,698,819)**	**-**	**(153,197,581)**
Unrealized foreign exchange gain	**(62,036,775)**	**(12,113,607)**	**-**	**(74,150,382)**
Gain on investment properties sold under installments	**(18,239,378)**	**3,240,548**	**-**	**(14,998,830)**
Unrealized gain on financial assets at FVPL	**-**	**(2,722,760)**	**-**	**(2,722,760)**
Unrealized gain on financial assets at FVOCI	**(363,597)**	**-**	**(946,234)**	**(1,309,831)**
	(713,177,986)	**(192,716,179)**	**(946,234)**	**(906,840,399)**
Net Deferred Tax Assets (Liabilities)	**P475,332,923**	**(P27,366,145)**	**(P946,234)**	**P447,020,544**

	Beginning Balance (December 31, 2022 Tax Effect)	Amount (Charged) Credited to Profit or Loss	Amount Recognized in OCI	Ending Balance (December 31, 2023 Tax Effect)
Deferred tax assets:				
Allowance for credit and impairment losses	P649,802,754	(P55,040,734)	P -	P594,762,020
Accumulated depreciation on foreclosed properties	206,229,257	12,899,855	-	219,129,112
Accrued employee benefits and other expenses	146,226,619	18,228,960	-	164,455,579
Lease liability	122,728,582	25,612,527	-	148,341,109
Unrealized loss on foreclosed properties	63,726,642	(2,940,405)	-	60,786,237
Accrued rent expense	1,467,162	(430,310)	-	1,036,852
Excess of MCIT over RCIT	25,186,431	(25,186,431)	-	-
	1,215,367,447	(26,856,538)	-	1,188,510,909
Deferred tax liability:				
Unrealized gain on foreclosed properties	(381,520,446)	(54,624,180)	-	(436,144,626)
Right-of-use asset	(108,358,128)	(28,140,634)	-	(136,498,762)
Unrealized foreign exchange gain	(52,974,799)	(9,061,976)	-	(62,036,775)
Retirement benefits	(37,717,776)	(22,177,072)	-	(59,894,848)
Gain on investment properties sold under installments	(22,706,210)	4,466,832	-	(18,239,378)
Unrealized gain on financial assets at FVOCI	-	-	(363,597)	(363,597)
	(603,277,359)	(109,537,030)	(363,597)	(713,177,986)
Net Deferred Tax Assets (Liabilities)	P612,090,088	(P136,393,568)	(P363,597)	P475,332,923

Management believes that certain future deductible items may not be realized in the near foreseeable future as future taxable income may not be sufficient for the related tax benefits to be realized. Accordingly, the Bank did not set up deferred tax assets on the following temporary differences:

	2024		2023		2022	
	Deductible Temporary Differences	**Deferred Tax Asset**	Deductible Temporary Differences	Deferred Tax Assets	Deductible Temporary Differences	Deferred Tax Assets
Allowance for credit and impairment losses	**P2,750,826,400**	**P687,706,600**	P2,826,627,838	P706,656,960	P3,169,422,869	P792,355,717
Unrealized loss on financial assets at FVPL	**-**	**-**	4,023,806	1,005,952	4,539,344	1,134,836
Others	**30,476,810**	**7,619,203**	168,557,986	42,139,497	216,589,515	54,147,379
Deferred tax items not recognized in profit or loss	**2,781,303,210**	**695,325,803**	2,999,209,630	749,802,409	3,390,551,728	847,637,932
Remeasurement losses on retirement liability	**331,673,141**	**82,918,285**	365,718,897	91,429,724	77,723,200	19,430,800
Unrealized loss on financial assets at FVOCI	**133,169**	**33,292**	-	-	-	-
Deferred tax items not recognized in OCI	**331,806,310**	**82,951,577**	365,718,897	91,429,724	77,723,200	19,430,800
	P3,113,109,520	**P778,277,380**	P3,364,928,527	P841,232,133	P3,468,274,928	P867,068,732

As at December 31, 2024 and 2023, the Bank has no carryforward NOLCO.

Details of the Bank's RBU excess MCIT over RCIT as at December 31, 2024 follow:

Inception Year	Amount	Applied	Balance	Expiry Year
2024	P43,060,009	P -	P43,060,009	2027

33. Related Party Transactions

The Bank has various transactions with its related parties and with certain directors, officers, stockholders and related interests (DOSRI). These transactions usually arise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Bank, transactions with related parties are made substantially on the same terms as with other individuals and businesses of comparable risks.

Under current banking regulations, total outstanding loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the Bank provided, however, that unsecured loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall not exceed 30.0% of their respective total loans, other accommodations and guarantees. Loans, other credit accommodations, and guarantees granted by the Bank to its DOSRI for the purpose of project finance, shall be exempted from the 30.0% unsecured individual ceiling during the project gestation phase provided that the Bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

Except with the prior approval of the MB, the total outstanding loans, other credit accommodations and guarantees to DOSRI shall not exceed 15% of the total loan portfolio of the bank or 100.0% of net worth whichever is lower provided that in no case shall the total unsecured loans, other credit accommodations and guarantees to said DOSRI exceed 30.0% of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower. For the purpose of determining compliance with the ceiling on unsecured loans, other credit accommodations and guarantees, banks shall be allowed to average their ceiling on unsecured loans, other credit accommodations and guarantees every week.

The total outstanding loans, other credit accommodations and guarantees to each of the bank's subsidiaries and affiliates shall not exceed 10.0% of the net worth of the lending bank provided that the unsecured loans, other credit accommodations and guarantees to each of said subsidiaries and affiliates shall not exceed 5.0% of such net worth provided that the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.0% of the net worth of the lending bank provided that these subsidiaries and affiliates are not related interest of any of the director, officer, and/or stockholder of the lending bank.

The following table shows information on related party loans (amounts in thousands, except percentages):

	2024		2023	
	DOSRI Loans	**Related Party Loans (inclusive of DOSRI)**	DOSRI Loans	Related Party Loans (inclusive of DOSRI)
Total outstanding loans	**P59**	**P52,840,911**	P166	P39,011,760
Percent of DOSRI/Related Party loans to total loans	**0.00%**	**39.02%**	0.00%	35.66%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**26.02%**	0.00%	21.14%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.00%**	0.00%	0.00%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.26%**	0.00%	0.35%

The details of significant related party transactions of the Bank follow (amounts in thousands):

Category	***Note***	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Associate	*13*			
2024				
Investment in an associate		**P -**	**P34,433**	**24.26% equity interests in BIC which is a stockholder of the Bank**
Share in net loss of an associate		**611**	**-**	**Share in net loss of BIC**
2023				
Investment in an associate		-	35,534	24.26% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		783	-	Share in net loss of BIC
2022				
Investment in an associate		-	39,523	24.26% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		133	-	Share in net loss of BIC

Unless otherwise stated, RPTs disclosed are unsecured.

Category	Note	Amount/Volume			Outstanding Balance		Nature, Terms and Conditions
		2024	2023	2022	**2024**	2023	
Other Related Parties							
Financial assets at FVOCI:	*10*						
Private debt securities		**P -**	P -	P -	**P -**	P -	Matured bond with interest rate of 6.6%.
Maturities		**-**	-	300,000	**-**	-	
Investment securities at amortized cost	*11*	**-**	-	-	**266,346**	345,110	Long-term bonds with interest rates ranging from 6.5% to 8.1% with maturity in 2025.
Maturities		**78,770**	36,570	-	**-**	-	Matured bond had interest rate of 7.8%
Loans and receivables - net:	*12*						
Receivables from customers:		**-**	-	-	**52,543,906**	38,819,027	Term, housing, auto, salary and personal loans with
Availments		**139,453,828**	111,576,878	49,176,944	**-**	-	interest rates ranging from 4.8% to 19.1% and with
Settlements		**123,122,822**	100,198,842	40,503,492	**-**	-	maturity of less than 1 year to 20 years; Collateral includes real estate mortgage, unregistered chattel mortgage, hold-out on deposit, assignment of contract and concession agreement, continuing surety agreement, and pledge agreement on shares;
Accrued interest receivables:		**-**	-	-	**340,694**	300,454	Accrued interest receivables on loans and long-term bonds;
Interest income		**3,787,163**	2,875,183	1,560,266	**-**	-	Interest income on loans and long-term bonds;
Deposit liabilities:	*18*	**-**	-	-	**77,724,567**	59,314,694	Consists of current, savings and time deposits which
Deposits		**7,010,752,811**	6,166,071,245	5,689,342,609	**-**	-	earn interest at the respective bank deposit rates
Withdrawals		**5,371,332,942**	5,048,087,644	4,888,848,456	**-**	-	
Accrued interest payable	*21*	**968,735**	967,838	260,241	**78,312**	127,398	Interest expense and accrued interest payable on deposits;
Accrued other expenses and other liabilities	*21, 22*	**357,287**	319,206	186,621	**2,945,125**	47,823	Accrued other expenses include professional fees, per diem of Directors and accruals for rent and utilities; On demand, unsecured and non-interest bearing; Other liabilities consist of inward remittance pending payment or application to designated deposit accounts and accounts payable to Bank's officers; On demand, unsecured and non-interest bearing.
Fees and other income	*27, 31*	**406,456**	219,010	292,932	**-**	-	Loan, underwriting, and investment-related fees and commission income, gain from the cash sale transactions of foreclosed properties and passed-on GRT
Commitments and contingent liabilities	*38*	**-**	-	-	**25,485,310**	24,544,851	Bank guarantees and outstanding letters of credit in favor of related party and committed credit line

Unless otherwise stated, RPTs disclosed are unsecured and balances are net of allowance

As at December 31, 2024 and 2023, outstanding bills purchased of related parties with contra account in "Other liabilities" amounted to P676.9 million and P772.8 million, respectively (see Notes 12 and 22).

Other related parties are companies linked directly or indirectly to the Bank through one or more intermediaries or are members of the same group, is controlled by, is under the same significant influence, or is under common control with the Bank.

The related party transactions shall be settled in cash.

As at December 31, 2024 and 2023, the allowance for credit losses on outstanding transactions with other related parties amounted to P332.6 million and P210.5 million, respectively. Provision for credit losses recorded in 2024, 2023 and 2022 on such related party transactions totaled to P122.1 million, P120.8 million and P4.5 million, respectively. Such outstanding transactions include investment securities at amortized cost, receivables from customers, and accrued interest receivable under the "Loans and receivables - net" account in the statements of financial position and commitment and contingent liabilities.

Transactions with Retirement Plan

The Bank's retirement plan is managed and administered by the Bank's Trust Services Group which is covered by an Investment Management Account (IMA) Agreement (agency relationship). The fair values of the plan assets are disclosed in Note 29.

Related unaudited financial information on assets/liabilities as at December 31, 2024 and 2023 and income/expense of the funds for the period ended December 31, 2024, 2023 and 2022 follow:

	2024	2023
Investment securities:		
Government and other debt securities	**P1,185,718,267**	P526,163,095
Quoted equity securities	**488,000,625**	339,884,175
Unquoted equity securities	**2,600**	2,600
Loans and other receivables	**128,075,796**	218,981,103
Deposits with the bank	**51,225,145**	133,299,081
Total Plan Assets	**P1,853,022,433**	P1,218,330,054
Trust fee payable	**P3,232,525**	P257,209
Due to broker	**-**	1,062,471
Other liabilities	**45,706**	15,944
Total Plan Liabilities	**3,278,231**	1,335,624
Net Plan Assets	**P1,849,744,202**	P1,216,994,430

Plan Income	2024	2023	2022
Interest income	**P60,316,990**	P46,133,203	P35,630,193
Trading and investment gains (losses) - net	**11,347,086**	(26,652,785)	(30,901,624)
Dividend income and others	**19,078,546**	28,632,767	8,901,291
	P90,742,622	P48,113,185	P13,629,860
Plan Expense			
Trust fees	**P3,493,486**	P3,257,172	P2,775,610
Other expenses	**2,107,923**	1,980,287	2,134,774
Provision for (reversal of) credit losses	**(1,882,383)**	1,219,179	2,258,204
	P3,719,026	P6,456,638	P7,168,588

As at December 31, 2024 and 2023, the retirement plan assets of the Bank include 730,670 shares of the Bank classified under financial assets at FVPL. The shares of the Bank were listed in the PSE on March 31, 2022. As at December 31, 2024 and 2023, the fair market value of the shares amounted to P4.9 million and P5.3 million, respectively. Limitations and restrictions are covered by the IMA Agreement and anything outside the IMA Agreement must be explicitly authorized by the Board of Trustees (BOT).

Interest income on deposit with the Bank amounted to P157,906, P40,334, and P4,257 in 2024, 2023 and 2022, respectively. Investments are subject to the limitations of the agreement and all other actions pertaining to the fund are to be executed only upon explicit authority by the BOT of the Fund.

The Bank's contribution to its defined benefits retirement plan amounted to P655.3 million and P180.5 million in 2024 and 2023, respectively. Benefits paid out of the Bank's plan assets amounted to P109.6 million and P105.4 million in 2024 and 2023, respectively (see Note 29).

Compensation of Key Management Personnel of the Bank

The remuneration of directors and other members of key management under "Compensation and fringe benefits" account in the statements of income for the years ended December 31, 2024, 2023 and 2022 follows:

	2024	2023	2022
Short-term employee benefits	**P820,006,634**	P711,101,785	P555,082,001
Post-employment benefits	**44,843,376**	30,278,540	37,075,744
	P864,850,010	P741,380,325	P592,157,745

34. Acquisition of Selected Assets and Assumption of Certain Liabilities of TRB

A summary of the significant transactions related to the PSA entered into by the Bank with TRB on November 9, 2001 follows:

a. TRB sold and transferred, in favor of the Bank, identified recorded assets owned by TRB both real and personal, or in which TRB has title or interest, and which are included and deemed part of the assets listed and referred to in TRB's Consolidated Statement of Condition (CSOC) as at August 31, 2001. The said assets are inclusive of the banking goodwill of TRB, bank premises, licenses to operate its head office and branches, leasehold rights and patents used in connection with its business or products. In consideration of the sale of identified recorded assets, the Bank assumed identified recorded TRB liabilities including contingent liabilities as listed and referred to in its CSOC as at August 31, 2001. The liabilities assumed do not include the liability for the payment of compensation, retirement pay, separation benefits and any labor benefits whatsoever arising from, incidental to, or connected with employment in, or rendition of employee services to TRB, whether permanent, regular, temporary, casual or contractual and items in litigation, both actual and prospective, against TRB.

b. The Bank is allowed to avail of certain BSP incentives including but not limited to the following: (a) full waiver of the liquidated damages on the emergency loan of TRB and penalties related to reserve deficiencies and all other outstanding penalties at the time of acquisition may be paid over a period of 1 year, (b) relocation of branches shall be allowed within 1 year from the date of BSP approval of the PSA. Relocation shall be allowed in accordance with BSP Circular No. 293. The 90-day notice requirement on branch relocation has been waived, and (c) availment of rediscounting facility window subject to present BSP regulations.

c. The Bank paid the outstanding emergency advances owed by TRB to BSP originally amounting to P2.4 billion through dacion en pago with mandatory buy-back agreement of certain assets of the Bank and TRB at a price set at 80.0% of the appraised value of those assets (see discussions on Settlement of Liabilities of TRB).

d. The Bank arranged with PDIC a liquidity facility for the first year following the effectivity date in the amount not to exceed 10.0% of the assumed deposit liabilities of TRB to service unanticipated withdrawals by TRB depositors, subject to terms and conditions as may be imposed by PDIC.

Settlement of Liabilities of TRB

Part of the liabilities of TRB assumed by the Bank includes P2.4 billion emergency advances from BSP. As settlement for the emergency advances, a dacion en pago with mandatory buy-back agreement involving certain bank premises and ROPA (with a dacion price equivalent to 80.0% of the average appraised value of the dacion properties) was executed. The dacion en pago with mandatory buy-back agreement contained the following significant terms and conditions:

a. The Bank may repurchase the bank premises and ROPA within 10 years from the execution of the agreement.

b. The buy-back price for the ROPA is the dacion price plus, if applicable, real estate taxes paid by BSP. The buy-back price for the bank premises used in operations shall be the dacion price plus 6.0% simple interest per annum plus 50.0% of rental rates based on prevailing rates in the locality as mutually agreed by the parties with a 4.3% yearly increment.

c. Any gain on sale of the dacion properties within the 10-year holding period, in excess or over the buy-back price, net of any taxes paid related to the sale, shall be shared 70-30 between the Bank and BSP, respectively.

As approved by BSP, properties of the Bank and TRB with net book value amounting to P2.3 billion fully settled the liabilities to BSP assumed by the Bank from TRB amounting to P2.4 billion at the time of dacion; the difference amounting to P102.0 million was credited to other deferred credits (ODC) account. Expenses incurred related to the dacion of properties were offset against ODC.

The Bank fully settled its emergency loan with BSP in June 2012 through cash settlement and permanent transfer of dacioned properties.

FAA

The summary of significant transactions related to the FAA entered into by the Bank with the PDIC, for acting as a "White Knight" by agreeing to the terms and conditions of the PSA with TRB, follows:

a. The PDIC granted the Bank a loan amounting to P1.8 billion representing the amount of insured deposits of TRB as at June 30, 2001, which should have been paid by PDIC under a closure scenario. The proceeds of the loan were used to purchase a 20-year government securities with a coupon rate of 15.0% per annum to be pledged as collateral for the loan. Yield on the 20-year government securities (net of 20.0% withholding tax and the 3.0% interest to be paid on the loan from PDIC) shall be used to offset on a staggered basis, for prudential reporting purposes, against TRB's unbooked valuation reserves on NPAs with a total face value of P4.5 billion, which was approved by BSP to be booked as "Miscellaneous assets".

   On November 29, 2013, the Bank fully settled its loan from PDIC amounting to P1.8 billion.

b. The Bank infused additional fresh capital amounting to P200.0 million in 2001 and commits to infuse additional capital in the event a shortfall in order to comply with BSP's pertinent regulations on minimum capital requirement.

c. The Bank agrees to comply with certain regulatory requirements, to provide information as required by the PDIC, to pursue realization of performance targets based on the financial plan, to secure PDIC's written consent for the appointment of an external auditor, and to entitle PDIC to appoint a consultant.

d. The Bank shall not, among others, without the prior written consent of PDIC, grant new DOSRI loans, make any single major or significant total capital expenditures within 5 years as defined in the FAA, establish new banking offices or branches, dispose all or substantial portion of its assets except in the ordinary course of business, declare or pay cash dividends, effect any profit sharing or distribution of bonuses to directors and officers of the Bank not in accordance with the financial plan and other transactions or activities not in accordance with the financial plan.

On September 22, 2009, the Bank and PDIC signed a Supplemental Agreement to the 2002 FAA with the following additional terms:

a. To the extent and in the context relevant to the terms of the FAA, PDIC hereby agrees to a limited adjustment of TRB's unbooked valuation reserves/deferred charges/accumulated operating losses, so as to include operating losses accumulated from the period October 2001 to July 2002 in the amount of P596.0 million which shall bring TRB's total unbooked valuation reserves, deferred charges and accumulated operating losses to P4.5 billion;

b. Extension of the FAA for such limited period as shall exactly be sufficient to fully set off on staggered basis the MA-TRB against the net yield of the new series 20-year government securities to be purchased to replace the maturing government securities in March 2022 and likewise to be pledged to PDIC; and

c. Income resulting from the difference between the dacion price and book value of the assets as collateral to BSP, if any, as well as future collections derived by the Bank from NPLs covered by the unbooked valuation reserves shall be deducted from the above amount of P4.5 billion. Such set-off shall be formally and officially reported by BSP to PDIC.

The foregoing Supplemental Agreement did not constitute a significant modification of the terms of the PDIC's below-market loan to the Bank. Had the modification been significant, it would have resulted to the derecognition of the old liability and the recognition of the new liability at its fair value.

In addition, as part of the PSA, there were transactions allowed and approved by BSP, which required different treatment under PFRS Accounting Standards. These transactions and their effects are described below:

Assumption of NPAs of TRB

In addition to the provisions of FAA and subsequent to the approval by BSP and PDIC to recognize NPAs of P144.2 million as miscellaneous assets, the Bank negotiated with BSP and PDIC to include as miscellaneous assets the additional operating losses of TRB amounting to P595.6 million incurred during the transition period of the Bank's assumption of TRB's assets and liabilities.

As at December 31, 2002, a portion of the additional operating losses of TRB amounting to P227.2 million was approved by BSP and PDIC to be included as additional miscellaneous assets. On April 28, 2003, BSP approved the deferral of operating losses amounting to P596.4 million (instead of P595.6 million which was previously negotiated by the Bank and P227.2 million which was previously approved by BSP) thereby increasing the TRB-related bookings to miscellaneous assets to P4.4 billion (see Note 16). NPL included under miscellaneous assets comprised TRB's loans amounting to P3.1 billion as at August 31, 2001 which is excluded in the determination of financial ratios, provisioning and computation of CAR based on the agreed term sheet. Also, BSP considered these miscellaneous assets as non-risk assets and are not subject to classification.

Pursuant to the requirements of PFRS, the allowance for impairment losses on the NPAs amounting to P4.3 billion as at December 31, 2024 and 2023 and P4.4 billion as at December 31, 2022 were charged in full in the period incurred (see Note 16).

For its separate prudential reporting to BSP, the Bank recognized P1.3 billion provisions to fully recognize the impairment losses on the NPAs in 2022 (see Note 16).

35. Notes to Statements of Cash Flows

The following is a summary of noncash activities of the Bank:

	2024	2023	2022
Noncash investing activities:			
Additions to investment properties and other properties acquired in settlement of loans	**P560,787,537**	P654,419,110	P251,831,964
Additions to ROU assets	**282,902,827**	313,175,775	159,277,079
Increase in sales contract receivables from sale of investment properties	**57,832,282**	108,020,017	88,212,765

The following table shows the reconciliation analysis of liabilities arising from financing activities for period ended December 31, 2024, 2023 and 2022:

	2024	2023	2022
Beginning balance	**P8,071,629,499**	P7,933,164,363	P538,398,243
Additions to lease liabilities	**278,651,103**	307,649,056	155,593,019
Interest accretion	**84,791,505**	68,831,053	42,795,198
Cash flows during the year:			
Proceeds	**19,763,875,764**	3,147,150,433	15,004,528,892
Settlements	**(21,001,413,943)**	(3,385,165,406)	(7,808,150,989)
	(1,237,538,179)	(238,014,973)	7,196,377,903
Other adjustments	**(1,495,286)**	-	-
Ending balance	**P7,196,038,642**	P8,071,629,499	P7,933,164,363

Other adjustments pertain to reductions to lease liabilities due to pre-termination of lease contracts.

As allowed by PAS 7, short-term borrowings from other banks amounting to P13.3 billion, P3.1 billion, and P7.6 billion in 2024, 2023 and 2022, respectively, are presented in the statements of cash flows on a net basis. In 2024 and 2022, cash proceeds include issuance of bonds payable amounting to P6.5 billion and P7.5 billion, respectively. In 2024, cash settlements include settlement of matured bonds amounting to P7.5 billion.

The cash flows from interest and dividend received for the years 2023 and 2022 presented as operating activity in the additional information section of the statement of cash flows were revised to adjust for the cash flows from the interest and dividends received that were previously presented under investing activity. Such reclassification is necessary to align with the primary statement of cash flows and has no material impact to the overall statement of cash flow.

36. Financial Performance Indicators

Basic earnings per share amounts were computed as follows:

		2024	2023	2022
a.	Net income	**P3,024,939,110**	P2,802,219,175	P1,800,068,600
b.	Dividends on preferred shares*	**242,916,668**	187,916,668	148,958,335
c.	Net income to equity holders of the Bank	**2,782,022,442**	2,614,302,507	1,651,110,265
d.	Weighted average number of outstanding common shares	**1,403,013,920**	1,403,013,920	1,334,592,963
e.	Basic earnings per share (c/d)	**P1.98**	P1.86	P1.24

** potential dividends on preferred shares as these were not assumed to be converted.*

Diluted earnings per share attributable to equity holders of the Bank were computed as follows:

		2024	2023	2022
a.	Net income to equity holders of the Bank	**P3,024,939,110**	P2,802,219,175	P1,800,068,600
b.	Weighted average number of outstanding common shares and dilutive preferred shares:			
	Outstanding common shares*	**1,403,013,920**	1,403,013,920	1,334,592,963
	Potential common shares from assumed conversion of preferred shares	**416,666,670**	416,666,670	416,666,670
c.	Total weighted average common shares	**1,819,680,590**	1,819,680,590	1,751,259,633
d.	Diluted earnings per share (a/c)	**P1.66**	P1.54	P1.03

The following basic ratios measure the financial performance of the Bank:

	2024	2023	2022
Return on average equity	**9.44%**	9.52%	7.01%
Return on average assets	**1.22%**	1.25%	0.86%
Net interest margin on average earning assets	**4.17%**	4.28%	3.73%

37. Events after the Reporting Date

On February 19, 2025, the dual-tranche fixed rate bonds due 2027 (Series C Bonds) and fixed rate bonds due 2030 (Series D Bonds), which were issued as the third tranche of the Bank's increased P50.0 billion Peso Bond Programme, were listed on the Philippine Dealing and Exchange Corporation. Series C Bonds and Series D Bonds, with face value of P10.0 billion and P8.0 billion, respectively, are due on February 19, 2027 and May 19, 2030, respectively. The bonds were priced at par with coupon rate of 6.1942% for Series C Bonds and 6.3494% for Series D Bonds payable on a quarterly basis.

38. Supplementary Information Required under Section 174 and Appendix 55 of the MORB

The following supplementary information is required by Appendix 55 - Disclosure Requirements to the Audited Financial Statements to Section 174 of the MORB of the BSP, issued through BSP Circular No. 1074, *Amendment to Regulations on Financial Audit of Banks.*

(a) Notes to the Financial Statements

a. *Capital Position* - please refer to Note 24.

b. *Leverage Ratio and Total Exposure Measure* - please refer to Note 24.

c. *Liquidity Position* (Liquidity Coverage Ratio and Net Stable Funding Ratio) - please refer to Note 24.

d. *Provisioning Methodology and Key Assumptions Used in Determining Allowance for Credit Losses* - please refer to Notes 3 and 5.

e. *Accounting Policies* - please refer to Note 3.

(b) Supplemental Information

- *Financial Performance Indicators* - please refer to Note 36.
- *Description of Capital Instruments Issued* - please refer to Note 24.
- *Significant Credit Exposures* - please refer to Note 5.
- *Breakdown of Total Loans* as to:

  i. Security - please refer to Note 12
  ii. Status - please refer to Note 12

- *Information on Related Party Loans* - please refer to Note 33.
- Commitments and Contingencies

  In the normal course of operations, the Bank makes various commitments, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingencies at their peso equivalent contractual amounts arising from off-books accounts as at December 31, 2024 and 2023:

	2024	2023
Contingent assets:		
Future/spot exchange bought	**P3,412,855,000**	P2,683,155,542
Fixed income securities purchased	**25,619,362**	6,409,295,659
Outward bills for collection	**-**	5,575,925
	P3,438,474,362	P9,098,027,126
Commitments and contingent liabilities:		
Trust department accounts	**P72,733,928,823**	P72,133,492,741
Committed credit line	**15,658,499,835**	16,152,161,850
Unused commercial letters of credit	**10,207,552,133**	8,181,592,869
Future/spot exchange sold	**3,962,382,500**	3,181,038,760
Credit card lines	**3,866,333,335**	3,600,976,933
Outstanding guarantees	**2,229,592,892**	4,305,962,435
Retirement obligations	**154,519,260**	-
Late deposits/payments received	**59,173,307**	67,179,756
Fixed income securities sold	**25,619,362**	6,450,988
Inward Bills for Collection-Domestic	**1,272,590**	3,525,034
Items held for safekeeping/securities held as collateral	**64,100**	45,347
	P108,898,938,137	P107,632,426,713

Retirement obligations pertain to the estimated impact of the amendments to the Bank's retirement plan on past service cost, subject to certain conditions.

The Bank has several loan-related suits, claims and regulatory examinations that remain unsettled or ongoing. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, in consultation with its legal counsels, the suits and claims, if decided adversely, will not involve sums having a material effect on the Bank's financial statements.

Other Commitments

The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

No asset is being pledged by the Bank to secure outstanding liabilities as at December 31, 2024 and 2023.

Trust Assets

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Bank. Total assets held by the Bank's Trust Services Group amounted to P72.7 billion (unaudited) and P72.1 billion (audited) as at December 31, 2024 and 2023, respectively.

In compliance with the requirements of current banking regulations relative to the Bank's trust functions, government securities with face value of P770.0 million as at December 31, 2024 and 2023, which have been included under "Investment securities at amortized cost" (see Note 11), are deposited with BSP.

Other relevant disclosures required by BSP Circular No. 1074 are in Notes 12, 24, 33 and 36.

39. Supplementary Information Required under Revenue Regulations (RR) No. 15-2010

The BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in a note to the separate financial statements. The Bank presented the required supplementary tax information as a separate schedule attached to its annual income tax return.

BANK OF COMMERCE
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR
FEE-RELATED INFORMATION
DECEMBER 31, 2024

	2024	2023
Audit services fees:		
Bank Proper September audit	**P -**	P1,754,000
Bank Proper December audit	**3,680,000**	3,394,550
Trust audit	**1,413,500**	700,000
Additional fee for 2023 Trust audit	**585,000**	-
Total Audit Fees	**5,678,500**	5,848,550
Non-audit services fees:		
Other assurance services	**2,035,000**	80,000
Tax services	**-**	-
All other services	**-**	-
Total Non-audit Fees	**2,035,000**	80,000
Total Audit and Non-audit Fees	**P7,713,500**	P5,928,550

Audit and Non-audit Fees of other related entities

	2024	2023
Audit fees	**P -**	P -
Non-audit services fees:		
Other assurance services	**-**	-
Tax services	**-**	-
All other services	**-**	-
Total Non-audit Fees	**-**	-
Total Audit and Non-audit Fees	**P -**	P -

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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Bank of Commerce (the "Bank") as at December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024 on which we have rendered our report dated March 25, 2025.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Bank taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Bank's management. Such additional components include:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedules Required by Annex 68-J of the Revised SRC Rule 68
- Relationship Map

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

R.G. Manabat & Co. a Philippine partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

KPMG

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements*
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-038-2022
Issued June 27, 2022; valid until June 26, 2025
PTR No. MKT 10467183
Issued January 2, 2025 at Makati City

**Renewal of accreditation in progress. Partner still qualified to audit of 2024 FS per BSP Circular No. 1210 Series of 2025, Revised Framework for Selecting External Auditors*

March 25, 2025
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Bank of Commerce (the "Bank") as at December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024, and have issued our report thereon dated March 25, 2025.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the financial statements as at December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024, and no material exceptions were noted.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements*
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**Renewal of accreditation in progress. Partner still qualified to audit of 2024 FS per BSP Circular No. 1210 Series of 2025, Revised Framework for Selecting External Auditors*

March 25, 2025
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

BANK OF COMMERCE

SUPPLEMENTARY SCHEDULES REQUIRED BY SRC RULE 68
DECEMBER 31, 2024

Philippine Securities and Exchange Commission (SEC) issued the Revised Securities Regulation Code Rule (SRC) 68. It prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by the Revised SRC Rule 68. These are presented for purposes of filing with the SEC and is not required part of the basic financial statements.

PART I

Schedule A:	Schedule of Financial Soundness Indicators
Schedule B:	Reconciliation of Retained Earnings Available for Dividend Declaration
Schedule C:	Relationship Map

PART II (Schedules Required by Annex 68-J of the Revised SRC Rule 68)

Schedule A:	Financial Assets
Schedule B:	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
Schedule C:	Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
Schedule D:	Long-Term Debt
Schedule E:	Indebtedness to Related Parties (Long-Term Loans from Related Companies)
Schedule F:	Guarantees of Securities of Other Issuers
Schedule G:	Capital Stock

BANK OF COMMERCE

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS OF DECEMBER 31, 2024 AND DECEMBER 31, 2023

RATIO	FORMULA	RATIO	
		2024	2023
Current Ratio	Total current assets / Total current liabilities	**0.56**	0.57
Acid Test Ratio	Total current financial assets / Total current liabilities	**0.55**	0.56
Solvency Ratio	Net income before non-cash expenses / Total liabilities	**0.02**	0.02
Debt to Equity Ratio	Total liabilities / Total equity	**6.99**	6.51
Asset to Equity Ratio	Total assets / Total equity	**7.99**	7.51
Interest Rate Coverage Ratio	Net Income before interest and taxes / Interest expense	**1.97**	2.08
Return on Equity	Net income / Average total equity	**9.44%**	9.52%
Return on Asset	Net income / Average total assets	**1.22%**	1.25%
Net Profit Margin	Net income / Total revenues	**28.12%**	28.09%
OTHER RATIOS			
Net Interest Margin	Net interest income / Average interest-earning assets	**4.17%**	4.28%
Cost to Income Ratio	Total operating expense / Total revenues	**0.62**	0.62
Debt to Assets Ratio	Total liabilities / Total assets	**0.87**	0.87
Loans to Deposit Ratio	Total gross loans* / Total deposits	**0.64**	0.70
Non-performing Loans Cover	Allowance for credit losses on loans / Non-performing loans	**97.47%**	93.21%
Non-performing Loans Ratio**	Non-performing loans / Total gross loans	**1.25%**	1.54%
Net Non-performing Loans Ratio**	Net non-performing loans / Total gross loans	**0.49%**	0.44%
Capital Adequacy Ratio	Total qualifying capital / Total risk-weighted assets	**17.58%**	19.88%

**Gross loans include receivables from customers (loans), interbank loans receivable and securities purchased under resale agreements.*

***Computed based on BSP Circular 941*

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2024

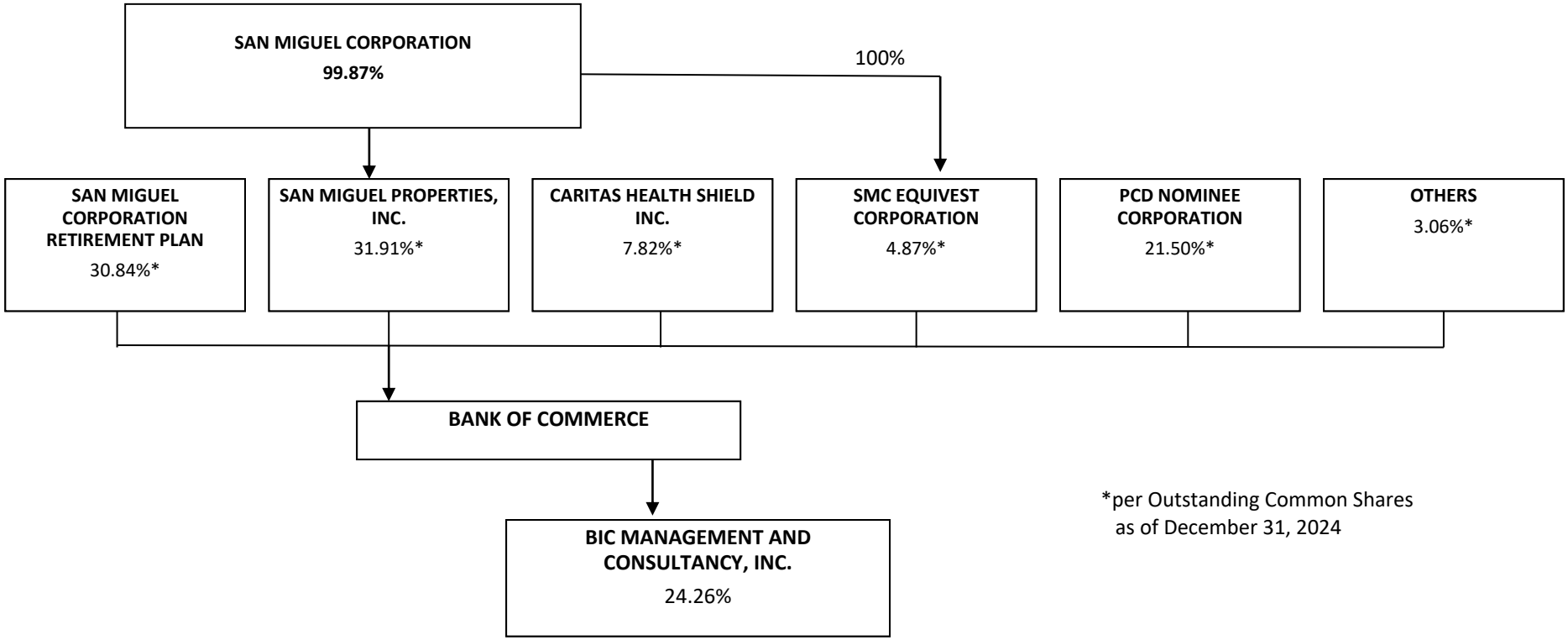
BANK OF COMMERCE

San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City

Unappropriated Retained Earnings, beginning of reporting period		**P2,294,087,048**
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Transfer of gain on equity securities at FVOCI realized through disposal	P82,303,000	**82,303,000**
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	(654,937,099)	
Retained earnings appropriated during the reporting period	(74,041,095)	**(728,978,194)**
Unappropriated Retained Earnings, as adjusted		**1,647,411,854**
Add: Net income for the current year		**3,024,939,110**
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	(222,451,145)	
Unrealized fair value gain of Investment Property	(129,944,055)	
Sub-total		**(352,395,200)**
Add: Category C.3: Unrealized income recognized in the profit or loss in prior reporting periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to Cash and cash equivalents	186,110,324	
Reversal of previously fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	25,842,961	
Reversal of previously fair value gain of Investment Property	7,374,500	
Sub-total		**219,327,785**
Adjusted Net Income		**2,891,871,695**
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(11,541,800)	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction	(13,544,393)	
Sub-total		**(25,086,193)**
Total Retained Earnings, end of reporting period available for dividend		**P4,514,197,356**

BANK OF COMMERCE

RELATIONSHIP MAP
DECEMBER 31, 2024



*per Outstanding Common Shares
as of December 31, 2024

BANK OF COMMERCE

SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2024
(in thousands)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amounts Shown in the Statement of Financial Position	Value Based on Market Quotation at End of Reporting Period	Income Received and Accrued
Financial Assets at Fair Value through Profit of Loss				
Philippine government	**P2,660,109**	**P2,670,618**	**P2,670,618**	**P110,853**
Other government	**115,690**	**111,743**	**111,743**	**16,057**
Derivatives	**-**	**63,717**	**63,717**	**-**
Private corporations	**29,817**	**29,556**	**29,556**	**-**
		P2,875,634	**P2,875,634**	**P126,910**
Financial Assets at Fair Value through Other Comprehensive Income				
Philippine government	**P19,173,105**	**P19,036,827**	**P19,036,827**	**P854,777**
Equity securities	**162**	**41,807**	**41,807**	**3,855**
		P19,078,634	**P19,078,634**	**P858,632**
Investment Securities at Amortized Cost				
Philippine government	**P33,798,744**	**P34,461,471**	**P33,493,716**	**P1,722,542**
Private corporations	**2,042,347**	**2,150,197**	**1,980,906**	**80,501**
Other government	**-**	**-**	**-**	**29,086**
		P36,611,668	**P35,474,622**	**P1,832,129**

BANK OF COMMERCE

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2024

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Ending Balance
NONE TO REPORT *Indebtedness arise in the ordinary course of business.*							

BANK OF COMMERCE

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2024

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
NONE TO REPORT							

Financial statements are not for consolidation.

BANK OF COMMERCE

SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2024

Type of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown under Caption "Current Portion of Long-Term Debt" in Related Balance Sheet	Amount Shown under Caption "Long-Term Debt" in Related Balance Sheet	Interest Rates	Amounts or Numbers of Periodic Installments	Maturity Dates
Long-term negotiable certificates of time deposit	P5,029,420,000	P5,029,420,000	P -	4.5000%	Quarterly interest payment	September 17, 2025
Bonds payable	6,569,750,000	6,534,447,698	-	6.5635%	Quarterly interest payment	November 16, 2025

BANK OF COMMERCE

SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES
(LONG TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2024

Name of Related Parties	Balance at Beginning of Year	Balance at End of Year	Nature, Terms and Conditions
NONE TO REPORT			
No long term loans from related companies.			

BANK OF COMMERCE

SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2024

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount of Guaranteed and Outstanding	Amount Owned by Person of which Statement is Filed	Nature of Guarantee
NONE TO REPORT *No securities were guaranteed.*				

BANK OF COMMERCE

SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2024

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under the Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by Related Parties*	Directors, Officers and Employees	Others
Common shares	1,702,511,470	1,403,013,920	-	1,060,517,880	633,440	341,862,600
Preferred Shares	455,000,000	416,666,670	416,666,670	416,666,670	-	-

* Include shares held by Principal/Substantial Stockholders
Required information is disclosed in Note 24: Capital Stock

ANNEX C - REPORTS ON SEC FORM 17-C

	Date of Disclosure	Subject	Report or Cirular No.
1	January 11, 2024	Public Ownership Report	CR00412-2024
2	January 15, 2024	List of Top 100 Stockholders (Common Shares)	CR00750-2024
3	February 14, 2024	Material Information/Transactions - BNCOM Published Balance Sheet as of December 31, 2023	C00724-2024
4	February 28, 2024	[Amend-2]Amendments to By-Laws - Amendment to the Bank's By-laws and Approval to Delegate Amendment, Repeal, or Enactment of New By-laws to the Board of Directors	C01051-2024
5	February 28, 2024	Notice of Annual or Special Stockholders' Meeting	C01052-2024
6	March 19, 2024	Material Information/Transactions - Approval of 2023 Audited Financial Statements	C01565-2024
7	March 19, 2024	Material Information/Transactions - BankCom caps its 60th year with 1.6x Net Income Growth	C01567-2024
8	March 19, 2024	Press Release - BankCom caps its 60th year with 1.6x Net Income Growth	C01568-2024
9	March 19, 2024	Information Statement	CR01494-2024
10	April 2, 2024	Information Statement	CR01641-2024
11	April 11, 2024	Public Ownership Report	CR01910-2024
12	April 11, 2024	Annual Report as of December 31, 2023	CR01931-2024
13	April 12, 2024	List of Top 100 Stockholders (Common Shares)	CR02162-2024
14	April 29, 2024	Material Information/Transactions - Notice of Participation in the Philippine Stock Exchange, Inc.'s STAR (Strengthening Access and Reach): Investor Day	C02617-2024
15	April 29, 2024	Notice of Analysts'/Investors' Briefing	C02618-2024
16	April 30, 2024	Press Release - Bank of Commerce Starts P5 Billion Second Tranche Peso Bond Offering	C02641-2024
17	April 30, 2024	Material Information/Transactions - Bank of Commerce Starts P5 Billion Second Tranche Peso Bond Offering	C02642-2024
18	May 2, 2024	Results of Annual or Special Stockholders' Meeting	C02663-2024
19	May 2, 2024	Results of Organizational Meeting of Board of Directors	C02664-2024
20	May 2, 2024	[Amend-3]Amendments to By-Laws	C02681-2024
21	May 8, 2024	Other SEC Forms, Reports and Requirements - 2024 General Information Sheet	CR03049-2024
22	May 10, 2024	Material Information/Transactions - Bank of Commerce Successfully Raises P6.57 Billion from its Second Tranche Peso Bond Offering	C02969-2024
23	May 10, 2024	Press Release - Bank of Commerce Successfully Raises P6.57 Billion from its Second Tranche Peso Bond Offering	C02970-2024
24	May 15, 2024	Press Release - BankCom registers 8% earnings growth in 1Q24	C03195-2024
25	May 15, 2024	Quarterly Report as of March 31, 2024	CR03355-2024
26	May 16, 2024	Press Release - Bank of Commerce successfully lists its P6.57 billion second tranche bond issuance at 1.3x oversubscribed	C03250-2024
27	May 16, 2024	Material Information/Transactions - Bank of Commerce successfully lists its P6.57 billion second tranche bond issuance at 1.3x oversubscribed	C03251-2024
28	May 29, 2024	Declaration of Cash Dividends	C03558-2024
29	May 29, 2024	Material Information/Transactions - Declaration of Cash Dividends to Preferred Shares	C03559-2024
30	May 29, 2024	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion) - Appointment of New Branch Banking Group Head, Early Retirement of HRMDD Head	C03577-2024
31	May 29, 2024	Initial Statement of Beneficial Ownership of Securities - SEC Form 23-A for Ms. Annalyn D. Delos Santos, new Branch Banking Group Head effective June 1, 2024	CR03769-2024
32	June 3, 2024	Integrated Annual Corporate Governance Report as of December 31, 2023	CR04023-2024
33	June 7, 2024	Material Information/Transactions - Bank of Commerce Published Balance Sheet as of March 31, 2024	C03858-2024
34	June 24, 2024	Change in Shareholdings of Directors and Principal Officers	C04170-2024
35	June 26, 2024	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion) - Resignation of Mr. Mariano T. Katipunan, Jr. and Election of Atty. Jose A. Barcelon as Nominee-Director of Caritas Health Shield, Inc. in Bank of Commerce.	C04210-2024

Date of Disclosure		Subject	Report or Cirular No.
36	June 26, 2024	Initial Statement of Beneficial Ownership of Securities - SEC Form 23-A of Director Jose A. Barcelon	CR04405-2024
37	July 1, 2024	Statement of Changes in Beneficial Ownership of Securities - SEC Form 23-B of Mr. Laquindanum for shares acquired in the month of June 2024	CR04460-2024
38	July 15, 2024	Public Ownership Report	CR05095-2024
39	July 15, 2024	List of Top 100 Stockholders (Common Shares)	CR05184-2024
40	July 16, 2024	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion) - Appointment of OIC-Human Resources Management and Development Division	C04736-2024
41	July 16, 2024	Initial Statement of Beneficial Ownership of Securities - SEC Form 23-A for Ms. Cruz	CR05230-2024
42	July 19, 2024	[Amend-1]Other SEC Forms, Reports and Requirements - Amended 2024 General Information Sheet	CR05307-2024
43	July 31, 2024	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion) - Resignation of Chief Trust Officer and Trust Services Group (TSG) Head Mr. Gamalielh Ariel O. Benavides effective October 31, 2024 - Hiring of the following senior officers: a. Ms. Melanie P. Santos as Head of the Human Resource Management and Development Division effective September 16, 2024, and b. Mr. Don Carlo P. Hernandez as Chief Trust Officer and TSG Head effective November 4, 2024	C05041-2024
44	August 13, 2024	Material Information/Transactions - BankCom Published Balance Sheet as of June 30, 2024	C05450-2024
45	August 14, 2024	Material Information/Transactions - BankCom 1H24 Net profit at P1.42 billion with continued People and Technology investments	C05531-2024
46	August 14, 2024	Press Release - BankCom 1H24 Net profit at P1.42 billion with continued People and Technology investments	C05532-2024
47	August 14, 2024	Quarterly Report as of June 30, 2024	CR05766-2024
48	August 15, 2024	[Amend-1]Press Release - BankCom 1H24 Net profit at P1.42 billion with continued People and Technology investments	C05573-2024
49	September 13, 2024	[Amend-4]Amendments to By-Laws	C06030-2024
50	September 19, 2024	Initial Statement of Beneficial Ownership of Securities - SEC Form 23-A of Bank of Commerce's new HRMDD Head Ms. Melanie P. Santos	CR06218-2024
51	October 10, 2024	[Amend-5]Amendments to By-Laws -Amendment to the Bank's By-laws and Approval to Delegate Amendment, Repeal, or Enactment of New By-laws to the Board of Directors	C06454-2024
52	October 10, 2024	Public Ownership Report	CR06659-2024
53	October 14, 2024	List of Top 100 Stockholders (Common Shares)	CR06820-2024
54	November 5, 2024	Initial Statement of Beneficial Ownership of Securities	CR07281-2024
55	November 14, 2024	Material Information/Transactions - BankCom reports P2.21 billion earnings in 3Q24, up by 10%	C07304-2024
56	November 14, 2024	Press Release - BankCom reports P2.21 billion earnings in 3Q24, up by 10%	C07305-2024
57	November 14, 2024	Quarterly Report as of September 30, 2024	CR07582-2024
58	November 18, 2024	Material Information/Transactions - Bank of Commerce Published Balance Sheet as of September 30, 2024	C07379-2024
59	December 4, 2024	[Amend-1]Quarterly Report as of September 30, 2024	CR07905-2024

SUSTAINABILITY REPORT

CONTEXTUAL INFORMATION

Company Details	
Name of Organization	BANK OF COMMERCE (BankCom)
Location of Headquarters	San Miguel Properties Centre, 7 St. Francis Street, 1550 Mandaluyong City
Report Boundary: **Legal entities (e.g., subsidiaries) included in this report**	BankCom has no subsidiaries. *As such, this Report discloses the sustainability performance indicators limited to BankCom.*
Business Model, including Primary Activities, Brands, Products, and Services	An affiliate of San Miguel Corporation (SMC) since 2008, Bank of Commerce is a publicly-listed universal bank focused on helping its clients, communities and conglomerate partners by delivering the best choice of financial services harnessing the strengths of the SMC Group. Bank of Commerce is identified by its logo bearing the SMC symbols of escudo and cloverleaf, and by the trademark license short name "BankCom" granted by the Intellectual Property Office (IPO) in 2020. BankCom traces its origins to the Overseas Bank of Manila which opened in Binondo, Manila in 1963. BankCom saw a record high profit, with the net income up by 8% to ₱3.02 billion due to its core business growth, primarily from the expansion of corporate loans and program lending to SMC ecosystem clients. The Bank has a network of 140 branches (including the Head Office) and 267 Automated Teller Machines (ATMs) and cash kiosks (deposit and withdrawal) as of 31 December 2024 strategically located nationwide.
Reporting Period	January 1 to December 31, 2024
Reporting Frameworks	BankCom's annual Sustainability Report is guided by: - The Securities and Exchange Commission (SEC) recommendations - The United Nations Sustainable Development Goals (UN SDGs) - Reference to the Global Reporting Initiative (GRI) Standards
Highest Ranking Person responsible for this report	Antonio S. Laquindanum, EVP & Chief Financial Officer

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MATERIALITY PROCESS

BankCom determined its material topics through a review of the banking industry's most significant impacts aligned with the realization of the Bank's Vision and Core Purpose. Along with a study of material topics in the financial industry, the Bank referenced international standards on sustainability reporting, publicly available methodologies of third-party rating providers, and local regulations, particularly the circulars issued by the Bangko Sentral ng Pilipinas (BSP) on Sustainable Finance and the Implementation of the Environmental and Social Risk Management System (ESRMS). From there, the Bank considered which topics would be of interest and would likely affect its primary and secondary stakeholders. In addition, the Bank also considered the priority topics identified in the materiality analysis of its parent company, San Miguel Corporation.

This materiality process is managed by a cross-functional technical working group assigned to facilitate the Bank's ESRMS. As BankCom continues to improve its processes, enhance its policies and develop responsive products and services, its materiality process and topics will be reviewed and updated accordingly.

In 2024, BankCom engaged in a Strategic Planning Session to finalize the focus areas of the Bank in relation to the sustainability statement: ***'Harnessing BankCom's strengths, we envision a nation where our clients, people, and communities thrive together.'*** To work towards this goal, the Bank conducted a sustainability awareness survey and a sustainability workshop to discuss with BankCom's leadership the current ESG priorities of the Bank.

- Advancing Products Sustainably
  BankCom will offer comprehensive, customer-centric products with expanded coverage, driving competitiveness through integrated solutions and seamless services that elevate the customer experience.

- Resilient and Efficient Operations
  BankCom is committed to responsible and resilient operations, underpinned by strong corporate governance. The Bank will enhance operational efficiencies, assess its impact, and create an environment that benefits both the planet and its people.

- Responsible and Inclusive Finance
  BankCom will expand its portfolio, develop new sustainable products, and increase investments that drive sustainable growth.

- Working Towards Digitalization
  BankCom will drive digital transformation by improving efficiencies, optimizing data, and enhancing cybersecurity, while streamlining digital solutions to ensure greater customer security and convenience.

- Championing People
  BankCom will strengthen employee engagement, implement effective succession planning, foster career development, and provide capacity-building initiatives that lead to an effective and resilient team.

Material Topics

BankCom identified the following material topics:

- Direct economic value generated to stakeholders
- Products and Services Contribution to SDG
- Diversity, Equal Opportunity and Anti-Discrimination
- Customer Privacy
- Consumer Financial Protection
- Resource Consumption
- Environmental Impact Management

- Employee Hiring and Benefits
- Employee Training
- Occupational Health and Safety
- Community Involvement
- Procurement Practices
- Supply Chain Accreditation Policy
- Business Ethics and Anti-Corruption
- Climate Risk Management

ECONOMIC IMPACT

ECONOMIC PERFORMANCE

GRI 201-1, 201-2, 203-1, 203-2

As a universal bank, BankCom plays a vital role in driving economic growth by providing financial services across the country. The Bank has been instrumental to the viability and continued expansion of small- and medium-sized enterprises, middle-market establishments, and large corporations across various sectors, including beverages, food, packaging, energy, fuel and oil, infrastructure, property development and leasing, cement, car distributorship, and related financial services.

BankCom enables Filipino individuals and businesses to achieve their financial goals to manage day-to-day transactional needs through a range of services, including deposit, consumer credit, and corporate lending, trade, investment banking, trust, treasury management and remittance facilities.

With a network of 140 branches (including Head Office) located nationwide and online banking channels, BankCom provides retail and institutional financial consumers with secure and efficient access to professionally designed and executed financial products.

Economic Impact and Financial Performance

Disclosure Requirements	2022	2023	2024
	(in Php millions)		
Direct economic value generated (revenue)	**8,117**	**9,975**	**10,756**
Direct economic value distributed	**10,154**	**13,744**	**18,153**
Operating costs[1]	5,484	6,159	6,685
Employee wages and benefits[2]	1,905	2,258	2,621
Interest payments	1,283	3,466	4,053
Taxes paid / remitted to the government[3]	1,482	1,861	2,009
Community investments[4]	-	-	2,785
Economic value retained[5]	**(2,037)**	**(3,769)**	**(7,399)**

[1] This includes payment to suppliers and third-party service providers
[2] The 2024 computation includes salaries and wages amounting to ₱2,060,310,187.68 and employee benefits amounting to ₱560,447,418.27.
[3] Provision for income tax, license payments and real property tax
[4] Investments to community involve donations and corporate social responsibility engagements conducted in 2024
[5]Computed as direct economic value generated less direct economic value distributed

BankCom closed 2024 with an increase in the revenue amounting to ₱10,756 million, a 7.8% increase from last year's ₱9,975 million. This is driven by the Bank's consistent identification of new ways to maintain significant and sustainable profitability and growth.

Further, the Bank's economic impact extends beyond traditional business-related contributions, reflecting its commitment to supporting the economy through implementing corporate social responsibility initiatives and actively engaging with local suppliers, including small and medium enterprises.

Over the past three years, BankCom has been recognized by the local government of Mandaluyong City as one of the city's leading taxpayers. Additionally, the Bank has continuously demonstrated its dedication to community engagement by providing financial assistance through CSR programs, sponsorships, and donations to schools, charities, and non-profit organizations.

The Bank actively explores new methods and ways to enhance shareholder value while ensuring sustainable profitability. BankCom's key strategies focus on strengthening core business income,

optimizing cross-selling efforts, increasing participation in capital markets, innovating products and services, and developing the SMC ecosystem along with its affiliates to support loan expansion.

At the heart of BankCom's growth strategy are digitalization and automation, which are crucial for navigating today's technological financial landscape. The Bank's agenda includes increased investment in information technology and financial technology infrastructure to significantly enhance customer service and touchpoints. BankCom's IT roadmap includes the integration of cash recycling solutions with a more robust and efficient ATM network, expanding a more stable source of fee revenue streams. Moreover, the Bank is undertaking introductions and/or expansions of digital banking solutions, particularly on the mobile app BankCom [Personal] and corporate internet banking or BankCom [Business] platform, ensuring accessibility and ease-of use for clients.

The Bank is relentlessly pursuing programs aimed at improving operational efficiency, expanding remittance partnerships to foster greater connectivity, strengthening branch and account management networks, and amplifying brand and product visibility in an increasingly competitive financial marketplace.

Beyond business pursuits, BankCom's Corporate Social Responsibility (CSR) program has contributed to community development and environmental stewardship through events organized in partnership with the San Miguel Foundation and partner clients.

Key risks identified	Stakeholders affected	Management approach
Changes in financial consumer preferences, income level, and purchasing power; Increases and changes in applicable taxes, taxation laws, tax incentives; Fluctuations in foreign currency exchange rates and interbank interest rates (Fed and BSP); Increases and changes in BSP reserve requirement ratio (RRR), ceiling on credit card interest rate, fund transfer fees, and other service fees.	Employees Customers Shareholders Government Community	BankCom maintains a strong risk management framework to identify, assess, and mitigate financial risks that may impact its core businesses. The Bank's Risk Management Manual embodies this framework, outlining specific guidelines and processes on risk management. These are integrated into the operating policies of relevant units and undergo regular review by a designated Risk Management Officer. Additionally, BankCom formulates an annual Risk Appetite Statement to guide decision-making across various transactions. The Bank provides a monthly report to the Board Risk Oversight Committee (BROC) and the Board of Directors (BOD) which covers BankCom's current exposure across various risk types, including financial risk, credit, market, liquidity, operational, and information technology risks. Based on this information, the BROC and BOD make decisions regarding additional controls needed to effectively manage these risks.
Climate change risks in BankCom's operations and value chain may result in increased costs due to physical risks[3] and reduced revenue due to legal, technology, market, and reputation risks.	Employees Customers Shareholders Community	Climate change risks likewise form part of BankCom's overall risk management framework through the ESRMS[1] BankCom implements a Compliance Program to ensure that any risk associated with non-compliance to laws and regulations, and business ethics are mitigated. It is implemented using a three-pronged approach: self-assessment by business units, independent compliance testing conducted by the Compliance Division, and validation by Internal Audit Division. BankCom's compliance policies and programs are overseen at the high-level by the Board and its Board-level committees. The Corporate Governance Committee (CGCOM) ensures due observance of corporate governance principles and guidelines across the Bank. Along with the Anti-Money Laundering (AML)
Failure of controls to identify and mitigate business ethics issues such as improper accounting practices, money laundering,	Government Shareholders	

[1] This is outlined in the Climate-related Risks and Opportunities section of this report.

bribery, aggressive and/or mis-selling of financial products and services may result in significant financial impact, not to mention long-term reputational damages.		Committee, they are tasked to oversee the effective implementation of the Bank's compliance with money laundering, proliferation financing and terrorist financing prevention program and policies. On the other hand, the BankCom's Related Party Transactions committee ensures that transactions with related parties are conducted at arm's length thereby ensuring instances of conflicts of interest are mitigated.

CLIMATE-RELATED RISKS AND OPPORTUNITIES

Governance

The role of governance bodies and senior management in assessing and managing climate-related risks and opportunities is captured in the Bank's Environmental and Social Risk Management Framework, embedded in the Bank's ESG and Sustainability Framework Manual ("ESG Manual").

- The **Board of Directors (BOD)** determines the overarching direction, implementation, and strategies of the Bank on sustainability. The Board leads the Bank's adoption of sustainability principles through incorporating them into the corporate governance framework as well as in the Bank's strategic objectives and operations, risk strategy, risk appetite and risk management policies and procedures. The Board approves BankCom's ESRMS, keeps track of its progress in meeting its environmental and social (E&S) strategic objectives and targets, and ensures that issues and challenges are addressed.

- Two Board-level bodies, the **Corporate Governance Committee (CGCOM)** and the **Board Risk Oversight Committee**, oversee BankCom's implementation of ESG regulations issued by the Securities and Exchange Commission (SEC) and the BSP. The CGCOM ensures that sustainability principles are integrated in the corporate governance framework, strategies, and operations of the Bank. One of the duties of the CGCOM is to oversee the reporting and disclosure of ESG information. This covers adherence with existing regulations and ethical obligations toward stakeholders. The BROC, on the other hand, oversees the Bank's adherence to the risk appetite statement, risk policy, and ESG-related risk limits.

- The **Senior Executive Team (SET)** is responsible for managing the execution of the Board-approved strategies and policies in relation to BankCom's sustainability objectives. They ensure that BankCom's activities are aligned with the overall E&S strategic objectives and target and that methodologies and tools that will effectively identify, quantify/measure, monitor and control E&S risks are adopted.

- The **ESG Project Team**, led by the Chief Risk Officer, Chief Compliance Officer, and the Corporate Communications and Consumer Protection Division Head, executes the approved direction and strategies as well as facilitates the adoption of tools to identify and assess E&S risks in relevant business units and oversee the formulation, approval, and implementation of policies, procedures, and processes to monitor and control identified E&S risks. The designated members apprise the BOD, CGCOM, and BROC on the Bank's exposures on E&S risks and status of implementation of the Bank's sustainability program.

- **Management-level Committees (Mgt Comm) and Process Owners** integrate E&S risks into the relevant risk management frameworks, operating policies, and procedure manuals, conducting proper identification, assessment, monitoring and mitigation of E&S risks.

- **The Internal Audit Division and Compliance Division** are responsible for assessing the Bank's adherence to policies related to managing E&S risks and evaluating the effectiveness and relevance of said policies.

Strategy

BankCom is aware that environmental concerns and climate change could seriously jeopardize the long-term viability of its core businesses and financial stability. First, there is a chance that the company could suffer financial losses as a result of structural damage brought on by earthquakes, flooding, and other extreme weather events. Second, when climate, environmental, or social risk impacts borrowers and/or their collateral, the lending institution's financial stability is put at risk.

BankCom is cognizant that environmental risks translate to financial risks, as both physical and transition[4] risks affect businesses, households and the economy. This will ultimately affect BankCom's level of exposure to financial, operational, and other types of risks.

Risk	
Acute Physical	Damage to property and assets arising from increased severity of extreme weather events
Chronic Physical	Changes in precipitation patterns and extreme variability in weather patterns, as well as rising mean temperatures and sea levels, which affect operations and facilities, resulting in loss/lower value of certain assets and that of our clients
Technology	Cost requirements to transition to lower carbon operations
Policy and Legal	Energy transition policies such as carbon tax, and enhanced disclosure requirements on emissions
Market	Shifting sentiment for high carbon companies, and increased cost of input materials which can affect borrowers
Reputation	Negative stakeholder feedback and/or increased investor concern/oversight

Opportunities	
Resource efficiency	Reduction of energy consumption
Energy Source	Use of green/low carbon sources resulting in energy efficiency and cost savings
Product and Services	Development of green products and services that cater to shifting consumer preferences and support sustainability initiatives of corporate clients

At the strategic level, both physical and transition risks are included in the formulation of BankCom's Risk Appetite Statement. It guides the decision making on various transactions of the Bank for each type of risk—credit, market, liquidity, operational, reputation, information technology. Further, climate considerations form part of the methodology of the stress testing activity under the internal capital adequacy assessment process (ICAAP). Credit stress test scenarios were applied to the high-risk industries in the Bank's portfolio that are particularly vulnerable to ESG factors such as climate change, social concerns and governance or reputational issues.

ICAAP: ESG-Related Stress Test

Credit stress test scenarios were applied to the high-risk industries in the Bank's portfolio that are particularly vulnerable to ESG factors such as climate change, social concerns and governance issues. The following industries were identified to have material risks in terms of portfolio size and ESG factors.

- **Agriculture:** The agriculture sector is vulnerable to environmental risks including extreme weather events, water scarcity and soil degradation. Severe climate events can negatively impact the production of agricultural crops leading to lower revenue and increase in credit losses.

- **Mining**: The mining industry in the Philippines is a significant producer of minerals and it is highly exposed to environmental risks (soil erosion, deforestation) as well as social risks (displacements of local communities, loss of livelihood, health risks, etc.). ESG risks could lead to regulatory fines and disrupt operations, which can negatively impact cash flow and increase credit losses.
- **Manufacturing:** The manufacturing industry contributes significantly to the economy. However, it is linked to environmental risks such as air and water pollution as well as social risks associated with labor abuses and poor working condition.
- **Energy and Utilities**: This sector could be heavily impacted by environmental factors, such as severe climate change, air pollution and water supply.
- **Real Estate:** The real estate sector is exposed to environmental risks and social risks related to displacement and access to affordable housing.
- **Transportation and Storage:** As economies transition to a low-carbon future, the transportation sector faces a wide range of transition risks. These might range from rising policy pressures to the phase-out of traditional carbon-intensive vehicles through the implementation of carbon prices and a shift in consumer preferences. Technological advancements in electric vehicles (EVs) and alternative fuels will also have a substantial impact on traditional firms in the sector. Along with transition risks, the transportation sector will also be exposed to physical risks as the impacts of climate change intensify. These physical risks, which include severe storms and flooding, sea level rise, and droughts, can impact the supply chains and operations of the sector[2].

Risk Management

The BSP has released a series of policies aimed at strengthening climate risk management of BSP-supervised financial institutions (BSFIs). In 2020, BSP issued Circular No. 1085 on the Sustainable Finance Framework. The Circular sets out the BSP's expectations on the integration of sustainability principles in the corporate governance and risk management frameworks and the strategic objectives and operations of banks. This was followed by Circular No. 1128 which provides specific guidance on how to integrate E&S Risk Management in the operational risk management and credit risk management of banks. BSP also issued Circular No. 1149 outlining the expectations on the integration of sustainability principles in the investment activities of banks. Additional regulatory policies have been issued by BSP such as Circular No. 1187, which introduces the adoption of the Philippine Sustainable Finance Taxonomy (SFTG) for banks. BankCom complies with the requirements of the BSP and has instituted an ESRMS. Through this, the identification, assessment, and management of climate risks are integrated in BankCom's credit risk and operational risk management system.

For its own operations, BankCom conducts physical hazard assessments in its branch site selection and monitoring and conducts the implementation of a supplier sustainability questionnaire (SSQ) to identify and understand sustainability risks in the supply chain. BankCom also regularly assesses and monitors climate risks through its Risk and Control Self-Assessment (RCSA) and Business Impact Analysis (BIA) Processes.

Physical risks from climate change are considered in the Bank's Business Continuity Plan. BankCom has a Business Continuity Management (BCM) Committee headed by the Branch Banking Group Head and composed of SET members, other senior executives, managers, and employees in critical positions. The BCM Committee provides direction and decision-making on proposals for new or amended business continuity facilities and policies, disaster recovery (DR) testing activities, and IT infrastructure requirements.

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[2] *United Nations Environment Programme (2024). Climate Risks in the Transportation Sector. Geneva. Retrieved from https://www.unepfi.org/wordpress/wp-content/uploads/2024/05/Climate-Risks-in-the-Transportation-Sector.pdf (accessed 16 February 2025)*

On climate change impact on the Bank's lending portfolio, BankCom has already integrated ESG/climate consideration in the credit process through the updating of forms used in credit evaluation to identify, assess, measure and monitor ESG/climate risks. BankCom is also requiring its borrowers, whose projects have material environmental impact, to provide a copy of the Environmental Clearance Certificate (ECC) as one of the requirements to secure a loan facility.

BankCom has started to identify which industries in its credit portfolio have an increased risk of climate change impacts. The portfolio exposures to high-emitting sectors are disclosed in its Annual Report.

BankCom's ESG Project Team monitors existing and emerging regulatory requirements as well as conducts reviews of best practices and industry trends and regular stakeholder engagement to monitor emerging E&S risks. The results of these monitoring activities are reported to the BOD and/or relevant Board committees.

Metrics and Targets

BankCom has set a 30% limit to funding non-renewable energy sources (in Peso amount) that is aligned with the Department of Energy projections under a Clean Energy Scenario. Since 2023, the Bank measures the CO2 equivalent of its Scope 1 and 2 greenhouse gas emissions *(See Environmental Impact Management section for more information)*. The Bank is preparing a climate change strategy starting with the collection of baseline data on the aggregate emissions and emissions intensity of its operations and value chain and the conduct of climate risk assessments.

PROCUREMENT PRACTICES

Proportion of spending on local suppliers

Percentage of procurement budget used for significant locations of operations spent on local suppliers	2022	2023	2024
(a) Construction	67%	43%	59%
(b) Consumables	100%	100%	100%

Percentage of local* suppliers that underwent the accreditation process in 2024	97%

**Philippine-based*
***A number of renewal applicants were unable to complete the process within the year due to isolated case-to-case issues.*

BankCom recognizes the importance of suppliers in the success of its operations. BankCom's branches operate in strategic locations nationwide. In order to ensure the safety and convenience of its customers, proper, timely and cost-effective maintenance of these facilities is essential. This requires a dependable source of construction services and materials that meet the Bank's standards and criteria.

Moreover, in the course of fulfilling over-the-counter transactions at these branches, certain consumables need to be constantly replenished, such as account opening forms, transaction media, passbooks, and checkbooks. Particularly for materials which have stringent security requirements, such as checks, these require sourcing from local suppliers which are already accredited within the banking industry.

The Bank procures majority of its consumables from local businesses, contributing to the economy in areas where BankCom operates. BankCom acknowledges that procurement from local suppliers also helps support the environment through lower carbon footprint resulting from lower transportation costs, compared to procuring goods and services from foreign sources.

Among its local or Philippine-based suppliers, 97% underwent BankCom's accreditation process in 2024. *For more information, refer to Supply Chain Management section.*

BankCom continues to explore qualified local contractors and third-party service providers who have a track record with other banks or banking associations, and which can meet the Bank's requirements according to its standards. Further, the implementation of an Environmental and Social Risk Management System (ESRMS) covering the operations of the Bank created the opportunity to ensure sustainability considerations are extended to the Bank's supply chain, covering the suppliers' human rights, labor, and environmental management, among others, along with the sustainability elements of the products they offer. BankCom continues to explore qualified local contractors and third-party service providers who have a track record with other banks or banking associations, and which can meet the Bank's requirements according to its standards. Further, the implementation of an Environmental and Social Risk Management System (ESRMS) covering the operations of the Bank created the opportunity to ensure sustainability considerations are extended to the Bank's supply chain, covering the suppliers' human rights, labor, and environmental management, among others, along with the sustainability elements of the products they offer.

Key risks identified	Stakeholders affected	Management approach
While local procurement mitigates certain risks compared to foreign sourcing, BankCom may still be exposed to certain risks that may affect the effectiveness and quality of the supply chain. Any material deviation from policies and processes in supplier selection, negotiation, and delivery of materials and services concerned may severely affect BankCom's reputation and profits. Such could be the result of fraud and corruption, lack of fairness and transparency in third-party dealing, or lack of capacity to select and manage contracts. For example, the use of substandard materials and contractors or service providers with documentary deficiency (e.g., updated licenses) or known history of poor performance will negatively impact workmanship and actual cost, timeliness and quality of deliverables, and the Bank's reputation / compliance. These may affect the safety of BankCom's customers and employees, assessment of investors and stock analysts,	Suppliers Communities	BankCom has an established procurement process as well as an accreditation process for new suppliers. This ensures that the sourcing of services and materials is fair, cost-effective, and consistent with standards for quality and track record. A Bids and Awards Committee (BAC) executes the Bank's standards and policies on vendor accreditation and selection. BankCom's procurement and evaluation process for third party service providers, including the approval process, are documented in operating manuals and desk manuals which are reviewed regularly and updated accordingly. For example, proposals for branch repairs, renovations, and relocations are presented to the SET for approval. This includes a comparison of cost estimates submitted by candidates and remarks about previous engagements with them. Depending on the total cost, the proposal may be endorsed further to the BOD for approval. Another example is that every year, third party service providers are subject to a performance evaluation conducted by the concerned business or support unit. The results of the performance evaluation are used in making decisions when new requests for materials or services are submitted for canvassing. Moreover, suppliers and employees are expected to abide by BankCom's policy on solicitation or acceptance of gifts, favors and entertainment, including sponsoring of non-company activities and events.

and the image of its brand. In addition, failure to meet quality standards may result in requiring rework which entails additional time and cost. This may result in customer dissatisfaction, an increase in customer complaints, and potential negative publicity. In turn, this may result in customer attrition.		

ANTI-CORRUPTION

GRI 205-1, 205-2, 205-3, 206-1, 415-1

BankCom believes that banking is a public trust. BankCom, as a financial institution, places the interests of its customers and the public at the forefront of its existence. It firmly believes that maintaining public trust necessitates unwavering integrity, proven expertise, and dedicated effort. BankCom's core values revolve around enhancing the lives of its stakeholders, keeping their trust, striving for excellence, while ensuring prudence. BankCom does not tolerate bribery and corruption and is seriously committed to prevent money laundering, terrorist financing and proliferation financing. The Bank upholds the highest moral standards in the way it conducts business and makes sure it does not become a channel for illicit funds or a victim of money laundering. The Bank's policy commitments are backed by strong risk management and compliance programs against such unethical and illegal activities. These topics are a key focus of the Bank's corporate governance, risk management, compliance and human resource management programs.

Training on anti-corruption policies and procedures

Disclosure Requirements	2022	2023	2024
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to[1]	1,920 (100%)	1,976 (100%)	2,034 (100%)
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to[2]	100%	100%	100%
Percentage of directors and management that have received anti-corruption training	18 SET, 15 BOD (100%)	18 SET, 15 BOD (100%)	15 BOD, 5 Advisors 20 SET (100%)
Percentage of employees that have received anti-corruption training	1,920 (100%)	1,976 (100%)	2,034 (100%)

[3]Included in the New Employees' Orientation (NEO) as part of the Human Resources (HR) Module for Code of Discipline and Annual e-Learning Refresher Course for Anti-Money Laundering

[2]Policy is required to be signed by all existing/active suppliers and service providers - Part of the accreditation requirement is signing of bank form Exhibit No. 2 BankCom Policy on Solicitation and Acceptance of Gifts.

[3]In 2024, 5 Board of Directors and 4 Senior Executive Team attended the Anti-Money Laundering and Counter-Terrorism and Proliferation Financing (AML/CTPF) Course for Board of Directors (BOD) and Senior Management (SM) with Bankers Institute of the Philippines; 20 Senior Executive Team completed the Annual e-Learning Refresher Course for Anti-Money Laundering

The Bank continues to promote awareness and accountability on anti-corruption and anti-bribery through its E-Learning Training Program and New Employees Orientation (NEO) for employees, and Corporate Governance training for the BOD and SET.

Elements of anti-corruption or anti-bribery e.g., on conflict of interest, are included in the Bank's current training programs delving on anti-money laundering, financial consumer protection, and corporate

governance. These are included in training courses on Corporate Governance, Anti-Money Laundering (AML), NEO, and those intended for branch officers and staff members. Training on AML is implemented bank-wide and on a regular basis. Employees are required to reach a minimum score of 80% to pass.

The Bank's Compliance Division, in partnership with HRMDD, constantly enhances the Bank's training program to equip BankCom personnel with appropriate knowledge to achieve the Bank's goal of promoting effective implementation of the AML/CFT policies and procedures in the entire organization.

Incidents of corruption

Disclosure Requirements	2022	2023	2024
Number of incidents in which directors were removed or disciplined for corruption	0	0	0
Number of incidents in which employees were dismissed or disciplined for corruption	0	0	0
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	0	0

Bribery and corruption have an adverse effect on the stability and legitimacy of financial institutions, translating to adverse impacts to the economy and society. Serious misconduct and unethical practices could lead to long-term reputational damage due to loss of confidence of stakeholders, particularly regulators, clients, and employees, in the Bank. BankCom has zero tolerance for solicitation and acceptance, directly or indirectly, of any gift, gratuity, commission or any form of payment from clients, business partners, suppliers and third-party service providers in connection with the Bank's leaders or employees' decision making in exchange of unnecessary favorable treatment.

In 2024, there are **no monetary losses** resulting from fraudulent activities brought by any entities against BankCom. Similarly, there are no cases arising from termination of contracts due to corruption.

Key risks identified	Stakeholders affected	Management approach
Corruption can occur during interactions or transactions between the Bank's employees and the parties they deal with, such as when securing decisions from government officials, clients, procurement, or hiring. Charitable and political donations and receiving and accepting gifts and entertainment can also be construed as bribery and corruption when proper procedures and designed limits are not followed.	Shareholders Depositors Customers Employees Government	The Bank has various policies in place to ensure that its actions and decisions comply with high standards of integrity and follow ethical and legal approaches. • **Trust Investment Guidelines** for BankCom employees, including portfolio managers and traders, cover instances of processing transactions belonging to the employee, relatives and related entities. BankCom employees are prohibited to use Bank proprietary information and other non-public information to advance their own interest. • **Related Party Transactions Policy** ensuring that certain transactions involving Related Parties, which present a heightened risk of conflicts of interest or the perception thereof, are entered into on arm's length bases and are consistent with the Bank's and its stakeholders' best interests. • **Policy on interlocking positions and secondment of Director and Officers**
Conflicts of interest can occur in situations		

when self-serving interests by individuals become a factor in their professional actions and decisions. This could include providing preferences to personal connections in hiring and procurement or exploiting their position or authority for personal gain such as self-dealing and distribution of non-public information.		• **Code of Professional and Ethical Standards for Treasury Personnel** covering responsible marketing and sales, insider trading, fair dealing, disclosure of conflicts of interest, among others. • **Policy on solicitation or acceptance of gifts** prohibit soliciting and accepting gifts, favors and entertainment, including sponsoring of non-company activities and events. • The Bank's **Code of Conduct** reiterates that employees should exercise responsible and ethical business practices, including avoiding conflict of interest. New employees are required to acknowledge the Code of Conduct during onboarding. The Bank regularly reviews its policies, updates them whenever necessary, and communicates them to all its officers and employees through regular advisories and an annual training program.
Money laundering, terrorism financing, and proliferation financing can occur when there is an ill-intent from individuals or entities to process monetary proceeds or accounts obtained from illegal sources and/or failure of processes to prevent and to detect their use, or attempted use, for money laundering or terrorist financing purposes or funds or financial services which are used for the proliferation of weapons of mass destruction.		The Bank has a **Whistleblowing Policy** that enables the protection of "whistleblowers" and conduct of due process in case of reports by employees and third parties on the commission of fraud, criminal offenses, corruption and bribery, serious danger, disregard of Bank policy, or deliberate concealment of the foregoing, by an employee or unit of the Bank. The Bank provides confidential channels for reporting persons and has a policy against reprisal or retaliation. To prevent the risk from AML, the Bank has a **Money Laundering and Terrorist Financing Prevention Program (MTPP)** that ensures compliance with the Anti-Money Laundering law, rules, and regulations that is approved by its Board of Directors. It is regularly updated or as need arises to reflect the constantly evolving regulations, the emerging money laundering/terrorist financing risks, and global best practices. The Corporate Governance Committee, a board-level committee, receives monthly reports on AML compliance and monitoring from the Anti-Money Laundering Management Department (AMLMD) of the Compliance Division. AML concerns are escalated to the AML Committee, a management group whose main duty is to oversee the Bank's effective and correct compliance with relevant laws and the Bank's MTPP. The AML Committee, which consists of representatives from Compliance Division, Risk Management Division, Operations Group, Treasury Group, Trust Services Group, Legal Services Group and Branch Banking Group, meets monthly or more frequently as needed. The AMLMD is in charge of ensuring that the Bank's MTPP is implemented correctly and efficiently. This involves using a risk-based approach to implement

		customer due diligence policies and procedures, record retention policies, a system for promptly capturing and reporting covered transactions, investigating suspicious alerts and reporting as necessary upon approval of the AML Committee, and creating and conducting regular and special training to Bank personnel. In addition, the Compliance Division of the Bank also conducts independent testing of branches and head office units, and is able to identify the segment in the operational process where money laundering, proliferation financing and terrorist financing risks are higher. The Bank's policies, processes, and procedures on preventing financial crime are outlined in the Bank's Wolfsberg Questionnaire available on the BankCom website.

Whistleblowing

BankCom builds a transparent, open and accountable work environment where employees are provided with the Guidelines on Whistleblowing. This manual is the formal mechanism for employees and third parties to report issues concerning integrity, human rights and labor rights, such us discriminatory acts, which shall protect employees from reprisal or retaliatory action, as well as to not be subjected to disciplinary actions.

ENVIRONMENTAL IMPACT

RESOURCE MANAGEMENT

Energy Consumption within the organization

Electricity Consumption	2022	2023	2024
Total electricity consumption (in kwh)	**6,162,541**	**5,429,641**	**5,739,031**
Head Office	1,600,987	1,648,431	1,702,042
Manila TAT Building	499,314	472,232	501,040
Branches	4,062,240	3,308,978	3,535,949
Electricity use intensity (kwh/employee)	**3,304.31**	**2,747.79**	**2,821.55**

Energy Saving	2022	2023	2024
Percentage of LED, CFL, and other energy-saving lamps to total electric lighting devices			
Head Office	LED (20%); CFL (80%)	LED (30%); CFL (70%)	LED (90%); CFL (10%)
Manila TAT Building	LED (10%); CFL (90%)	LED (10%); CFL (90%)	LED (100%); CFL (0%)

Fuel Consumption	2022	2023	2024
Total fuel consumption (in liters)	**28,420.25**	**182,942.57**	**3,315.95**
Head Office	17,871.45	8,627.72	140,441.00[2]
Manila TAT Building	2,300.00	750.00	550.00
Branches[1]	8,248.80	173,564.85	195,699.29

[1]For the 2024 data, this is based on a sample data with averages applied across branches.
[2]Large difference is due to increase in number of samples in 2024

BankCom's direct environmental impact is through its business operations, primarily in the resources consumed for the effective functioning of offices, branches, data centers, and other information technology and physical facilities. BankCom uses grid electricity to power its facilities and uses fuel for bank-assigned cars used for official business activities (i.e., motor pool) as well as for the regular testing / maintenance of generator sets and use during power interruptions.

Despite improvements in increasing clean energy capacity, the Philippines' source for energy generation is still mainly coal and natural gas. The burning of fossil fuels results in greenhouse gas emissions that directly contribute to worsening global warming. The Bank aims to manage its environmental impacts by identifying and pursuing ways to reduce operational carbon footprint through instituting resource management policies, evaluating the use of green technologies, and participating in activities to create positive environmental impacts. In 2024, the Bank saw a decrease in the generator sets (gensets)' energy consumption in both the Head Office and Manila TAT Building. This is likely due to the transition to energy-saying activities by the Bank. Further, the large increase of Head Office consumption in 2024 is due to the methodology used, reflecting the total fuel consumption for both diesel and gasoline.

One of the opportunities BankCom is looking at is shifting to energy-efficient technologies and/or renewable energy, which can have benefits for the organization such as lower energy costs and improved operational efficiency, differentiation from competition and attracting and retaining environmentally conscious customers and employees. The Bank is currently reviewing suggestions for streamlining different branch and transaction banking operations, through the Operations Committee, which may result in better management of working hours and physical facilities.

The Bank sees the adoption of modern technologies and energy-saving architectural designs for branch and head office operations. These include replacing desktops and old servers with more efficient laptops and IT hardware, and hard phones with virtual IP phones; designing branches with LED fixtures, right-sized air-conditioning systems, and readiness for possible installation of net metering systems in the future.

Similarly, ESG education for employees has been part of the new employee orientation since 2023. The ESG team has developed communication materials and infographics to encourage employees to be more conscious in using resources. The ESG team, together with the Operations Group, will explore applicable solutions and best practice recommendations to further improve sustainability in its own operations.

Key risks identified	Stakeholders affected	Management approach
As the government's policy gradually shifts towards promoting the use of energy-efficient technologies and boosting renewable energy use, BankCom may be affected in the following ways: • Higher energy costs due to the use of outdated and inefficient technologies • Reputational risk when benchmarked with other organizations with more pronounced sustainability initiatives within their operations • Regulatory penalties for failing to comply with potential environmental regulations promoting low-carbon operations	Regulators Employees Management	BankCom is mindful of its usage and looks for ways to reduce energy consumption. The Bank's General Services Division (GSD), which is part of the Operations Group, monitors the energy consumption of the Bank's physical facilities. The ESG Project Team works with GSD to come up with recommendations on how to manage energy consumption, e.g., shifting to LED lights, solar panels, and similar devices, and ultimately, to contribute to the achievement of the National Government's goals on energy. As early as 2005, BankCom had already issued a policy on cost management. The policy prescribes specific measures to manage the usage of the lighting system, air-conditioning system, electric fans and office appliances, and water conservation. The ESG Project Team is studying expanding this policy into a more comprehensive environmental management framework. The Bank also conducts regular preventive maintenance of generator sets and Bank-assigned vehicles. The Bank also continues to utilize online platforms to conduct meetings and webinars, which contributes to the reduction of fuel consumption for travel.

Water Consumption

Disclosure Requirements	2022	2023	2024
Total water consumption (in m^3)	**23,733.40**	**25,992.89**	**25,136.00**
(a) Head Office	7,206.00	8,685.00	10,433.00
(b) Manila TAT Building	2,533.00	763.00	1,434.00
(c) Branches	13,993.40	16,544.89	13,269.00
Water intensity (m^3/employee)	**12.72**	**13.15**	**12.36**

Water is used in BankCom's premises primarily to ensure cleanliness and upkeep of the facilities and maintain sanitation and hygiene for the health and safety of employees. BankCom is committed to ensure that uninterrupted and clean water supply is available to all its employees in its Head Office and Branches, while at the same time ensure water use is kept to a reasonable volume so as not to create water stress in the areas where it operates.

The continuing risk of a water shortage gives justification to the procurement and installation of water-saving fixtures, such as self-closing faucets and urinals that automatically flush after use as well as evaluate the use of water recycling technologies. Water conservation continues to be a part of the agenda for designing and constructing new branches and other physical facilities with water connection.

Key risks identified	Stakeholders affected	Management approach
Since banking is not a water-intensive business, the main risk for BankCom is the possibility of water unavailability or shortages particularly in water-stressed regions where it operates, which will impact the health and safety of its employees. This risk may be exacerbated by effects of climate change, such as drought and damage to water sources from extreme weather events and flooding, as well as increased demand from growing populations and economic facilities. This risk may result in additional financial costs as well as the inability to deliver access to clean and safe water, a basic human right	Employees	Water conservation has been on the management's agenda since 2005. An operations memorandum is in place which prescribes measures alongside other initiatives. These measures include immediately reporting to the building maintenance or GSD any faucet and other water fixtures found to be defective. Reminders on water conservation are also placed in washrooms and pantries with water facilities. The Bank's Operations Group will continue to make concerted efforts to identify and launch projects to manage water consumption of its branches and head office. This will include selecting building contractors with a good track record in terms of the durability and appropriateness of materials used for installing the water connection, plumbing, and water fixtures in branches and head office facilities. To better control the Bank's water use, the ESG Project Team will investigate appropriate solutions and best practice recommendations in collaboration with the Operations Group.

Circularity

Materials used by the organization (Paper)

Weight of Paper (kg)	2022	2023	2024
Paper Consumption (bond, computer papers, folders, etc)	36,060	22,950	N/A
Paper intensity (kg/employee)	19.33	11.61	N/A

In 2024, BankCom deferred its disposal and destruction of records due to a review in the retention period policy. As a result, there is currently no data available on paper consumption.

BankCom uses paper for communication with customers, issuance of statements of account, as well as for the management of internal documents such as account statements, loan agreements, and other legal documents required to be retained by the Bank. However, given the current technological landscape, automation and digitalization are at the core of the innovations that the Bank is currently implementing, and these activities are expected to decrease the need for paper in the future.

While paper use is inherent for banks, continued improvements in digital banking offers opportunities to reduce the need for paper through digitization and automation. BankCom continues to enhance its existing electronic banking delivery channels such the BankCom [Personal] mobile app and BankCom [Corporate] to reduce client paper requirements.

Key risks identified	Stakeholders affected	Management approach
Paper production is associated with environmental impacts such as water stress, greenhouse emissions, and forest degradation. As BankCom commits to reducing environmental impact, measures are undertaken to limit paper consumption and paper waste.	Communities	BankCom has started to roll out programs to reduce the need for paper. One example is the decision to replace paper brochures in the branches with QR-based, PDF versions which can be downloaded from the Bank's website. The Bank is also utilizing electronic statement in lieu of paper statements for trust management clients and credit card customers. Everyone is encouraged to use collaborative workspaces for business purposes, including general document review and approval, to minimize the amount of paper used internally.

ENVIRONMENTAL IMPACT MANAGEMENT

GHG Emissions

Disclosure Requirements	2023	2024
Direct (Scope 1) GHG Emissions (in MT CO2e)	441.95	1,089.69
Energy indirect (Scope 2) GHG Emissions (In MT CO2e)	3,887.73	4,109.50
Emissions intensity (MTCO2e/employee)	2.19	2.56

Last year, BankCom started to calculate its greenhouse gas emissions from within its own operations. The Bank's emissions arise from the use of diesel and gasoline for bank-issued vehicles and the purchase of grid electricity. Increased levels of GHG emissions emitted from the burning of fossil fuels contributes to the worsening of changes in the climate, translating to substantial negative impacts, losses and damages. In 2024, the reported data shows an increase due to the different sample size identified, compared to the previous year.

As discussed under Energy Consumption, opportunities arising from implementing low-carbon technologies include lower energy costs and improved operational efficiency, ability to differentiate itself from competition, and attract and retain environmentally conscious customers and employees. As a financial intermediary, there is an opportunity to tap into a market of consumers/corporate clients who wish to transition to energy-efficient and renewable energy technologies.

Key risks identified	Stakeholders affected	Management approach
The risks from GHG emissions are linked to climate change risks	Management Shareholders Customers Communities	As part of BankCom's climate risk management, the ESG Project Team, together with the Operations Group, monitors the emissions coming from the Bank's own operations. It is also in charge of preparing a strategy

(See Section on Climate-related Risks and Opportunities – Strategy). The risk to the Bank's own operations include policy and regulatory changes (i.e., pricing of emissions and additional climate reduction / transparency requirements), reputation (i.e., climate controversies), and physical risks (i.e., damage to assets, disruption of operations due to extreme weather events).	Regulators	for integrating sustainability in the Bank's own operations, including the mechanism to reduce energy use and transition to low-carbon technologies. BankCom also conducts physical hazard assessments in its branch site selection and monitoring. The Bank also regularly assesses and monitors climate risks through its Risk and Control Self-Assessment (RCSA) and Business Impact Analysis (BIA) Process.

SOCIAL IMPACT

EMPLOYEE MANAGEMENT

GRI 401-1, 2-7, 2-8, 2-9, 401-2, 401-3, 405-2

To ensure that BankCom operates at an optimum level and delivers outstanding performance, there is a need for talented and highly skilled individuals with a strong work ethic and professionalism as well as skills in client relations, strategy, communication and critical thinking. Beyond attracting the right individuals, it is also critical to sustain the Bank's capacity to operate and perform at a high level through cultivating and retaining committed and loyal employees.

It is in this context that a key focus of the sustainability program of BankCom is human capital development. BankCom is committed to investing in its human resources and constantly assessing and improving every step of the employee life cycle process (talent recruitment, onboarding, engagement, development and training, and retention). A key factor particularly in recruitment, engagement, and retention is the quality and competitiveness of the Bank's benefits program. BankCom offers its employees a comprehensive remuneration and benefits package that is regularly reviewed to ensure competitiveness with the industry.

BankCom's Workforce

Disclosure Requirements	2022	2023	2024
Attrition Rate*	**17.28%**	**15.73%**	**15.39%**
Total Number of Employees	**1,865**	**1,976**	**2,034**
By Age Group			
Under 30 years old	-	-	612
30 – 50 years old	-	-	1,070
Over 50 years old	-	-	352
By Gender			
Female	1,160 (62.20%)	1,210 (61.23%)	1,258 (61.85%)
Male	705 (37.80%	766 (38.76%)	776 (38.15%)
By Level			
Rank and File	-	-	984
Junior Officers	-	-	907
Senior Officers	-	-	143

**Attrition rate is calculated as the (no. of new hires – no. of turnover) / (average of total no. of employees of previous year and total no. of employees of current year)*

To improve the culture and decrease the attrition rate of the company, HRMDD organizes employee appreciation activities. The Bank's senior leaders and HRMDD often create awards for employees to show their gratitude in the exemplary performances of BankCom employees. In 2024, there is a slight decrease in the attrition rate from 2023, with 15.39%.

BankCom also cultivates a strong company culture that aligns to the core value of Malasakit of the SMC Group. In cooperation with San Miguel Foundation (SMF), CCCPD led BankCom employees in life-enriching corporate social responsibility (CSR) activities conducted at various locations during the year. These activities included reforestation/seed potting and coastal cleanup drives.

The Bank also provides upskilling programs, capacity-building and employee engagement activities as ways to retain employees. HRMDD has launched programs aimed at employee development and retention including free virtual, onsite, and offsite training for all levels of employees; management development programs for senior executives at the country's prestigious business-oriented academies; tuition reimbursements for employees taking up masters education; regular job evaluation to recognize expanded roles; employee engagement activities such as appreciation month; and various medical and mental health awareness programs.

Ratio of the lowest paid employee against the minimum wage[1]

Disclosure Requirements	2022	2023	2024
Probationary Employee	111%	106%	103%
Regular Employee	120%	102%	103%

[1]*Computation is as follows: Lowest Salary / ((Minimum Wage x 261 days) / 12 months))*

BankCom affirms its adherence to the 'Pay for Performance' philosophy wherein the structure is designed to uphold equality, providing both men and women with identical compensation for those of comparable roles and responsibilities. Gender does not play a role in the job offers or salary increases. The Bank's commitment to its philosophy, which emphasizes individual performance metrics, promotes fairness and encourages a high level of dedication and productivity among the workforce.

Diversity in governance bodies and workforce

Governance Bodies	By Gender		By Age Group		
	Male	Female	under 30	30-50	over 50
SET Members	12	7		7	12

Employees (by category)	By Gender		By Age Group		
	Male	Female	under 30	30-50	over 50
Rank and File	345	639	519	388	77
Junior Officers	353	554	93	633	181
Senior Officers	78	65		49	94

Promoting diversity, equality and inclusivity (DEI) at work has been recognized as an important aspect of the modern workplace due to its positive benefits for both the company and its employees. Promoting fair treatment and equal opportunities for employees from all walks of life allows the company to benefit from ideas and innovations coming from diverse perspectives and uncover skilled and talented employees that may be otherwise overlooked. Further, implementing DEI principles in all stages of the employee cycle communicates to employees that they are respected, treated fairly, and protected against discrimination and harassment by the company.

Discrimination is defined as the prejudicial treatment based on a person's protected attributes such as race, religion, age, gender and sexual orientation, disability, family status, among others. These manifests in denial of opportunities, exclusion, isolation, or harassment.

BankCom recognizes the immense value of DEI in driving success and fostering a positive work environment. A strong DEI culture promotes fair treatment and empowers employees, thereby fostering a

sense of belongingness which has an observed impact on performance and commitment from employees, generating significant benefits for the organization.

The Bank provides equal employment opportunities to employees and applicants. Recruitment, compensation, training and development are based on the personal skills, knowledge, and capabilities of each candidate. Selection in key positions, promotions, and transfers is open to all qualified candidates and employees and is based solely on merit and aptitude.

BankCom does not condone discrimination. BankCom abides by related Philippine laws such as the RA 6725 Prohibition of Discrimination Against Women, RA 7877 Anti-Sexual Harassment Act, RA 8972 Solo Parents' Welfare Act, RA 10911 Anti-age Discrimination in Employment Act, RA 7277 Magna Carta of Disabled Persons.

Employee Benefits

List of Benefits*	2022		2023		2024	
	Male	Female	Male	Female	Male	Female
SSS (Loans)	139	265	116	236	220	413
PhilHealth (Certifications)	11	49	33	75	31	56
Pag-Ibig (Loans)	59	128	56	127	111	224
Parental Leave	37	78	34	73	1	24
Vacation Leaves	642	1073	439	647	780	1,262
Sick Leaves	394	681	301	455	509	861
Medical Benefits[1]	34	87	41	124	7	71
Housing Assistance[2]	285	492	323	508	N/A	N/A
Retirement Fund[3]	49	112	50	110	45	71
Further Education Support	4	2	2	2	2	1
Others						
Life Insurance	1	0	1	1	2	2
Accident Insurance	0	0	2	0	0	0
Emergency Leaves	327	580	335	532	398	660
Rice Subsidy	322	563	317	574	664	1,124
Clothing Allowance	667	1108	725	1132	776	1,258
Burial Assistance	12	31	19	49	26	23

**Those who availed the employee benefits*
[1]aside from Philhealth, SSS Sickness & Maternity
[2]aside from PAGIBIG
[3]aside from SSS

All regular employees are given various benefits. As competition for talent in the finance industry is growing, it gives the Bank an opportunity to look into other forms of remuneration such as in the areas of work-life balance, employee training and development, welfare, and supporting advocacies. Examples include support for dependent care, health management, and community involvement. The Bank also looks into upskilling/capacity building and employee engagement as ways to retain employees. HRMDD has launched programs aimed at employee development and retention including free virtual, onsite, and offsite training for all levels of employees; management development programs for senior executives at the country's prestigious business-oriented academies; tuition reimbursements for employees taking up

masters education; regular job evaluation to recognize expanded roles; employee engagement activities such as appreciation month; and various medical and mental health awareness programs.

Key risks identified	Stakeholders affected	Management approach
High attrition rate due to dissatisfaction leading to impacts on: • recruiting, onboarding and training new individuals requires both financial and human resources; • for specialized positions where a certain level of knowledge and experience is needed, new employees may not be as proficient and thus this may lead to lower productivity from affected business units in the short run.; • the burden of work is delegated to remaining individuals which may result in burnout and dissatisfaction due to the increased workload, which in turn may lead to further attrition.	Employees Management	The Human Resource Management and Development Division (HRMDD) leads key initiatives in recruitment, organization development, and compensation and benefits. For its recruitment strategy, HRMDD utilized several approaches to attract talented individuals such as an employee referral program, online job fairs, and job search platforms and social media to increase reach of job postings. The Bank allows applicants to come from within the organization as a way to develop one's abilities in other areas within the Bank. Internal candidates, if qualified, are prioritized over external candidates. Meanwhile, for branch postings, local hiring is preferred. On the area of compensation and benefits, BankCom provides its employees competitive remuneration—with base pay, healthcare benefits and bonuses comprising its overall compensation package. Staff (rank-and-file) compensation is aligned to the collective bargaining agreement. BankCom's compensation package goes beyond salary and statutory benefits. BankCom's benefits package, depending on position and rank, includes various affordable financing programs; health management organization (HMO) program for employees and qualified dependents; life insurance, medical and optical allowance; study leave and scholarship reimbursement, as well as food allowances/free lunch. The Bank also maintains a retirement program which is managed professionally.

EMPLOYEE TRAINING AND DEVELOPMENT

BankCom advocates training and employee development to meet the objectives of providing employees with skills and competencies to be future-ready, and at the same time enabling the Bank as an organization to deliver on its mission and purpose for its customers and other stakeholders. Providing training and development opportunities is also part of employee engagement as it communicates the Bank's intention to support the career advancement and well-being of employees.

BankCom employs a strategic training management approach whereby high-potential and high-performing employees are determined through an appraisal system that measures performance in the areas of achieving financial goals, strengthening internal business processes, and enhancing visibility and relevance to customers. Based on these areas, an employee's strengths and potentials are identified and matched against a career path to determine gaps that can be addressed through external training, on-the-

job mentoring, and other forms of management interventions. These are articulated in a Development Action Plan (DAP).

Training Hours

Disclosure Requirement	2023	2024
Total training hours provided to employees[6]	**60,614 hours**	**92,296 hours**
Female	-	55,504
Male	-	36,792
Average Training Hours per Employee[1]	**31 hours**	**45 hours**

[1]Computation is as follows: 75,486 total training hours / 2034 headcount as of December 2024. Each employee of BankCom was able to complete at least 5 Training Programs for year 2024

Disclosure Requirements	2022	2023	2024
Percentage (%) of Employees Offered E-Learning Training on:			
a. Information Security Awareness	100%	100%	100%
b. Financial Consumer Protection	100%	100%	100%
c. Business Continuity Management	100%	100%	100%
d. Anti-Money Laundering	100%	100%	100%

On another note, The BSP requires Philippine banks to conduct annual mandatory trainings on the areas of anti-money laundering, information security risk, financial consumer protection, and data privacy to ensure employee's continuous awareness of rules, standards and processes pertaining to these key risk topics in the banking industry.

BankCom continues to update its E-Learning Module and explore tools available in Microsoft Office 365 to disseminate relevant information. HRMDD manages limited subscriptions to selected employees in LinkedIn Learning and engages these learners to discover what these facilities have to offer.

The ESG Team, together with HRMDD, has continuously provided new employees with an introduction to ESG and Sustainability. The ESG Team likewise participates in external trainings and workshops and in doing so, has gathered information on ESG frameworks and best practices for banks that can be integrated into BankCom either through capacity building/training or technical solutions. The Team is expected to roll out a specialized training plan on ESG and sustainability for existing employees.

Performance Review

In BankCom, every employee participates in a formal performance evaluation and career development review, guaranteeing that 100% of its workforce receives constructive feedback and guidance. These reviews are conducted annually and involve a comprehensive assessment of the employee's contributions, goals, and opportunities for skill enhancement. The Bank is committed to fostering employee growth that is aligned with BankCom's objectives.

Key risks identified	Stakeholders affected	Management approach
Without continuous efforts to engage employees and upgrade their competencies through training: Skills may stagnate, and motivation may plateau, leading to a decline in productivity. • Employees may have low morale due to lack of employee development. • Employees may feel unhappy and dissatisfied, which can result in reduced productivity and increased staff turnover. • Lack of employee development or training can also result in an unsafe working environment. • Failure to conduct training sessions mandated by the BSP could result in legal and compliance issues. • Lack of knowledge of employees on topics of anti-money laundering, information security risk, financial consumer protection, and data privacy that could potentially expose BankCom to risks due to human errors or failure to comply with regulations.	Employees Management	BankCom, through HRMMD's leadership, conducted several trainings directed to advancing employees' technical and functional competencies: BRANCH AND HEAD OFFICE OFFICERS: Officership Training Program JUNIOR OFFICERS AND RANK & FILE Signature Verification and Forgery Detection Fraud & Forgery Detection and Prevention Effective Business Writing Workshop Effective Presentation Skills Presentation Skills Workshop EXECUTIVES AND JUNIOR OFFICERS Strategic Planning Civility in the Workplace Corporate Banking and Development Bootcamp Coaching for Managers Workshop Managing the Multigenerational Workforce Workshop Keys to Leadership INTERNAL AUDIT DIVISION – EXECUTIVES, JUNIOR OFFICERS AND RANK & FILE Root Cause Analysis and other Internal Audit Related Matters Workshop TRANSACTION SERVICES GROUP – RANK & FILE The Keys to Performance In addition, Members of the Board of Directors, Senior Executives, Junior Officers and Rank and File Employees had attended over 150 external trainings sponsored by the Bank. Examples of external trainings are those which touch on areas of operations, compliance and all other relevant areas of knowledge in Banking which are offered through the Bank Administration Institute of the Philippines (BAIPHIL) such as covering banking industry topics: AML/CTF, auditing, accounting, risk management, cybersecurity, data privacy and sustainability among others.

LABOR-MANAGEMENT RELATIONS AND STANDARDS

Hiring Guidelines

In relation to recruitment and selection, BankCom is dedicated to achieving its employment objectives through a proper and comprehensive screening process, from pre- to post-employment. The Bank exercises fairness in selecting applicants based on their overall qualifications. Aligned with its commitment to fostering an inclusive workplace, BankCom's hiring guidelines explicitly prohibit any form of discrimination on the basis of gender, status, age, or religion.

Collective Bargaining Agreements

BankCom has a collective bargaining agreement with the BankCom Employee Union (BCEU) where the purpose is to foster good labor-management relations, enforcing discipline and exacting efficiency and honesty in the performance of the employees' duties to ensure maximum productivity, peaceful adjustment and settlement of grievance disputes and differences which may arise.

Disclosure Requirements	2024
% of employees covered with Collective Bargaining Agreements (CBA)	All regular rank-and-file employees of the Bank* 984 Rank and File employees (793 BCEU members)
Number of consultations conducted with employees concerning employee-related policies	Zero

**"Regular rank-and-file employees" mean employees of the bank who, not being probationary, managerial or supervisory employees as defined by law, have been engaged to perform activities which are usually necessary or desirable in the usual business or trade of the Bank.*

Health and Safety

Occupational Health and Safety

Disclosure Requirement	2023	2024
Employees covered by an Occupational Health and Safety (OSH) System	100%	100%

As a recognized human right, initiatives that safeguard employees' health, safety, and well-being are prioritized at BankCom. Beyond national regulations requiring companies to institute an Occupational Health and Safety System, BankCom actively works beyond the prevention of harm but also in promoting and securing physical and mental health for employees. BankCom's commitment to health and safety is integrated in its policies and programs on internal communications, risk management and employee engagement.

BankCom is compliant with Republic Act (RA) 11058 and Department of Labor and Employment (DOLE) Department Order 198-18, acknowledging the company's obligation and responsibility to implement an OSH system to ensure the protection of workers and employees against injuries, illnesses, and death through safe and healthy working conditions and environment.

Labor Laws and Human Rights

Disclosure Requirement	2024
No. of legal actions or employee grievances involving forced or child labor	0

Drug-Free Workplace Policy

Employee health is highlighted by BankCom's initiatives in the workplace. The Bank strongly advocates for the safety and well-being of its employees, bearing in mind the adverse effects of dangerous drugs on its employees, the workplace, their family and the community. In this regard, the Bank implements a drug-free workplace policy to ensure alignment with its commitment as well as RA 9165 or the Comprehensive Dangerous Drugs Act of 2002.

Sexual Harassment Policy

BankCom recognizes the mutual respect, cooperation and understanding necessary for a working environment. It is the full support and recognition to the dignity and self-esteem of individuals that the Bank has created a Sexual Harassment Policy and Procedure in 2002. This policy shows commitment to a work environment that is free of sexual harassment and all forms of sexual intimidation and exploitation of its employees by their officers or co-workers.

CUSTOMER MANAGEMENT

At the core of BankCom's mission is customer satisfaction. Ensuring that every interaction is smooth, efficient and beneficial, the Bank prioritizes customer management through its financial education initiatives and proactive problem resolution.

Customer Satisfaction

In December 2024, the Branch Banking Group (BBG) conducted a short survey, gathering insights from 1,202 respondents. The participants rated their experiences with the Bank from a scale of 1 to 5, with 5 being the highest score. The Bank achieved a score of 4.89, reflecting a strong commitment to customer service and a high level of trust among its clients.

Complaint Management

In 2024, there were a total of 13,977 complaints logged, with 97% addressed, and 94% addressed within the normal 5-day turnaround time.

Marketing and labelling

There were no complaints and non-compliance in relation to marketing and labeling in 2024.

Disclosure Requirements	2023	2024
No. of substantiated complaints on marketing and labeling	0	0
No. of complaints addressed	0	0

Customer Privacy

In maintaining trust, BankCom acknowledges the importance of customer privacy, ensuring the security of sensitive financial information.

Disclosure Requirements	2023	2024
No. of substantiated complaints on customer privacy*	0	0
No. of complaints addressed	0	0

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms*

Consumer Financial Protection

During the year, BankCom launched the Train the Trainers session, equipping 211 Branch Managers and Branch Marketing Officers from the different branches nationwide, further broadening the initiative's reach. With 89 CSR Activities for consumer financial protection, BankCom has reached 2,663 stakeholders.

The **Train the Trainers Program** is designed to coach new trainers in Financial Literacy. The program will help develop a pool of trainers (BMs and BMOs) who can then teach financial literacy.

The program's objective is to equip branch personnel (BMs and BMOs) with the concepts of financial planning, budgeting, building, and improving savings, as well as the ability to apply them to real-life situations. This will provide branch personnel with the necessary skills, which will improve the financial literacy of both current and potential clients to reach as many people as possible so that they can influence their family members and friends with their knowledge of healthy money management skills. This will create a new generation of young people who are financially smart and will experience greater financial independence as adults.

The Bank also conducted series of Financial Literacy Programs to educate participants on the aspects of basic financial management (financial planning, saving, proper use of credit and basics of investing), digital literacy as well as cyber security (e-safety). BankCom collaborates with schools, community organizations, and businesses to ensure that those who will benefit most from the program are included. We identify the particular demographic categories—such as students (grade school, high school, college), low-income individuals, working professionals, or retirees in order to customize the modules.

For working professionals and/or retirees, the Bank usually conducts surveys to determine the FinLit requirements of potential participants. This also helps in customizing the program to address specific knowledge gaps.

- Diliman Preparatory School – Diliman Preparatory School (DPS)—Talk on Child Safety and Financial Literacy for top management, principals, department heads, staff, and selected faculty members of DPS.

  The 2-part talk aims to equip an educational institution like DPS on how to design and execute a child safety program and a financial literacy program. This is to promote partnership with clients on CSR, build the social aspect of the Bank's ESG program, and lead in FinLit.

- Better World Cubao - the San Miguel Foundation Inc., the corporate social responsibility arm of the San Miguel Corporation in partnership with Bank of Commerce, held a masterclass course on business, mainly focusing on marketing and finance, to help the Better World Cubao (BWC) members gain the basic knowledge needed that will help them become better entrepreneurs.

  Most BWC members run small businesses at home and without any formal training. The masterclass sessions would not only equip them with the right skills and mindset as businesswomen, but it would also give them the self-confidence to pursue their passion projects and business ideas.

- Navotas City Hall - Bank of Commerce, in coordination with Navotas City Hall, conducted financial literacy that covered topics like financial planning, budgeting, saving, digital literacy, and cybersecurity for local fishermen. This provides not only for fishermen's personal success but also for the fishing communities. By providing focused financial education, fishermen may better manage their finances, invest wisely, and move toward sustainable livelihoods

DATA SECURITY

BankCom implements robust security measures to safeguard customer data from unauthorized access and cyber threats. Likewise, compliance with strict regulatory standards and data protection laws further reinforces the Bank's commitment to ensure personal and financial details are handled with utmost care and confidentiality.

Disclosure Requirement	2023	2024
No. of data breaches, including leaks, thefts	0	0

COMMUNITY ENGAGEMENT

BankCom has reaffirmed its commitment to foster positive impacts within communities across the Philippines through its Corporate Social Responsibility (CSR) initiatives. The Bank actively contributes to various initiatives encouraging community engagement. Throughout the year, BankCom has participated in feeding programs, environment-centered activities, blood donation drives, and education-related initiatives to demonstrate its support for nation-building.

Mt. Purro Nature Reserve Seed Potting and Tree Planting

The Bank's dedication to environmental protection and community engagement was prominently displayed through various seed potting and tree planting events at Mount Purro Nature Reserve (MPNR) located in Brgy. Calawis, Antipolo City. Approximately 70 BankCom volunteers, including staff from Metro Manila branches, head office divisions, and members of the Senior Executive Team (SET), participated in potting seedlings and planting saplings to bolster the reforestation efforts in the Upper Marikina watershed.

As part of the San Miguel group's commitment, the Bank contributed to the San Miguel Foundation's "World of Trees, World of Good" initiative on June 29, 2024, in honor of Philippine Arbor Day. Additionally, BankCom organized two batches of seed potting and tree planting activities on September 28 and October 12, 2024, during which volunteers successfully potted 400 Lawaan seedlings and 200 Narra tree saplings.

Coastal Cleanup: Love our Rivers, Save our Oceans

In September, in a collective and proactive effort to protect and preserve the environment, BankCom employees participated in the annual Coastal Cleanup organized by the San Miguel Foundation Inc. (SMFI) at the Tanza Marine Tree Park in Navotas. With 600 volunteers, including 36 BankCom employees, the six-hour cleanup gathered 2,276 kilograms of waste. This underscores SMFI's intent to showcase the importance of community involvement in environmental conservation and safeguarding our oceans.

School kit packing

BankCom partnered with the non-profit organization, International Care Ministries, in providing 420 school kits to elementary students in the Visayas region. SET members were joined by volunteers from the Bacolod and Cebu branches as they packed school kits composed of a bag, scissors, pencil and case, sharpener, eraser, ABAKADA grammar book, water container, art paper, crayons and coloring book. The school kit packing activities on June 6 and 13, 2024 were held at the Lacson Bacolod Branch while the activity on July 5, 2024 was held at the Cebu Main Branch.

Better World Cubao: Women's Day Nutrition Month

In August, the Bank organized a nutrition and financial literacy session for mothers and lolas from Better World Cubao. This workshop aimed to empower the participants by emphasizing the essential role of nutrition in maintaining health and well-being and its potential business opportunities. The attendees learned to prepare nutritious snacks, turn their creations into opportunities, and understand pricing through lessons on cost estimation. BankCom aimed to empower these women by equipping them with the knowledge to enhance their families' nutrition and new avenues for income generation.

One Good Deed Day

As part of Team Malasakit's initiative to bring smiles to the Better World Communities in time for the Christmas season, One Good Deed Day is annually activated where different San Miguel business units can support. For BankCom, a total of 82 donors heeded the call for monetary or in-kind donations, where the cumulative amount raised was ₱62,800.

Sponsorships for a Cause

In 2024, BankCom has been actively involved in sponsoring initiatives aimed at supporting various social causes including education, children's rights, and healthcare. This involvement began in April with a donation to the Rotary Club of Makati Dasmarinas (RCMD). The funds were designated for medical assistance, counseling services, basic needs provision, and environmental care. The Bank contributed to San Roque National High School's Brigada Eskwela program in October. This program, conducted annually, seeks to improve Philippine public school facilities by engaging the community in volunteer efforts. The goal is to create safe and conducive learning environments for students through collective action. In November, a sum was given to PhilAm International Nourishment of Youth, Inc. (P.I.N.O.Y., Inc.), an organization committed to enhancing the lives of underprivileged and abused children through various means including educational support, counseling, and recreational programs.

SUPPLY CHAIN MANAGEMENT

GRI 204-1, 414-1, 308-1

Supplier Accreditation Policy

Topic	Reference in supplier accreditation policy
Environmental Performance	Suppliers are required to submit information on policy and management programs focusing on the environmental impact of their operations/products

Forced Labor	Suppliers are required to provide information on their labor policies
Child labor	Suppliers are required to provide information on their labor policies
Human rights	Suppliers are required to provide information on how respect for human rights is integrated in their policies
Bribery and corruption	Suppliers are required to acknowledge the Bank's no-gift policy

BankCom's commitment to sustainability in its own operations is two-pronged: (1) ensuring resource efficiency and managing direct environment and social impacts and (2) implementing responsible sourcing and supply chain management practices. BankCom recognizes that organizations may have indirect environmental impacts through its business relationships, particularly through its supply chain. Beyond ensuring the quality or technical capability of products and services offered, it is now critical to ensure that vendors and third-party service providers are aware and are transparent about their environmental and social impacts, and to encourage them to start taking steps to manage these impacts by integrating sustainability into their own operations.

Sustainable and responsible sourcing and supply chain management starts with understanding the extent of environmental and social impact of suppliers and encouraging them to rethink unsustainable practices through raising awareness on sustainability. These steps are integrated in the supplier accreditation process of BankCom.

In its commitment to responsible and efficient operations, BankCom conducts supplier orientation on sustainability. The orientation involves providing an overview of sustainability in the Bank, the regulations aligned with the questionnaire, and an introduction on how to accomplish the supplier sustainability questionnaire. BankCom has a unique opportunity to extend its commitment to sustainability by raising awareness to suppliers and encourage them to rethink the ways they do business. It will allow BankCom to extend beyond its walls its commitment to sustainability and position itself as a leader in driving positive change within the industry.

ESG Factors in Credit Analysis

BankCom is slowly integrating ESG into its operations, with the credit analysis process as one of them.

ESG considerations are seamlessly integrated into the initial credit analysis process, which thoroughly identifies and assesses environmental and social (E&S) risks. This integration involves the use of specific templates designed to address these risks comprehensively. This documentation includes borrower disclosures that pertain to corporate governance, sustainability, and environmental compliance, alongside property hazard assessments. By connecting these elements, the evaluation process not only adheres to financial metrics but also reflects a strong commitment to integrating environmental and social governance throughout operations, fostering a culture of responsibility and sustainability.

Key risks identified	Stakeholders affected	Management approach
Disruptions in the supply chain may limit BankCom's ability to provide its services. These disruptions, which include labor disputes, environmental compliance, and production stoppages,	Suppliers Communities Customers	BankCom has updated the supplier vendor accreditation process to include requirements for ESG disclosures: • Suppliers are required to submit a supplier sustainability questionnaire (SSQ). The SSQ is a tool that helps us understand the environmental and social practices of our suppliers and how they manage sustainability-related risks in their business activities.

can be caused by environmental and social problems that the supplying firm does not handle or manage, such as health and safety, labor disputes, and reputational concerns. The consequences of climate change on suppliers, including physical and transition hazards, are another significant risk to the supply chain that could have a knock-on effect on the business.		• Suppliers are also required to acknowledge the Bank's no-gift policy which prohibits all employees and their immediate families from soliciting gifts, favors, and services starting any current or potential third-party provider. The Bank's SSQ and No-Gift Policy are communicated to all suppliers undergoing accreditation by the Procurement Management Department. Suppliers are required to provide documents such as a Business Continuity Self-Assessment and a Risk Profile Self-Assessment which requires information on risk topics such as human capital, information security and physical hazards.

UN SUSTAINABLE DEVELOPMENT GOALS

PRODUCT OR SERVICE CONTRIBUTION TO UN SDGS

Key products and services and their contribution to sustainable development.

Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution / Management Approach to Negative Impact
Bank Accounts BankCom provides various types of banking accounts: • Savings Account with Debit Card (Mastercard) • Savings Account with Passbook • Savings Account Plus • Checking Account • ElitePlus Checking Account • Complete Checking Account • Executive Payroll Account • US Dollar Savings Account • Euro Savings Account • Yuan Savings Account • Junior Smart Savers Savings Account • One Passbook Investment Account	 BankCom supports customers in building financial resiliency through savings by offering easily accessible, low maintenance savings and deposit accounts that cater to different populations, such as employees, students, and business owners. This helps the company contribute to **SDG 1**. It also helps achieve **SDG 8** since it gives small enterprises the financial credibility and savings they need to make capital expenditures that will grow their operations and eventually lead to the creation of jobs.	BankCom diligently fulfills its fiduciary obligation to safeguard the money entrusted to it by these depositors. The Bank's risk mission and objective is to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities. BankCom employs its ESRMS to proactively address environmental and social risks. This system ensures that any such risks, which may intersect with financial risks, are effectively managed both in the bank's core business transactions and in the management of its internal operations.
Consumer Loans BankCom also provides home, automobile, and salary loans for individual customers around the country. The Bank maintains partnerships with real estate developers as well as automobile dealers through its account officers to capture the market.	 These products align with **SDG 1** as it contributes to improvement in living standards through homeownership and increased mobility options for individuals. Salary loans foster economic resilience by reducing the reliance on predatory lending options. These accessible and fair financial solutions contribute to social equality and stability which is aligned with the	The Bank ensures that potential clients are properly informed of costs and conditions and diligently reviews and evaluates potential borrowers (know-your-customer, credit risk assessments) to ensure affordability and sustainability of the product for them. The Bank employs processes to prevent over-indebtedness and actively works out solutions for clients who are in, or at risk of default. These policies are covered by BankCom's

	goal of **SDG 8.**	FCP Framework
Branches With a network of 140 branches, BankCom provides a consistent and comprehensive financial experience for individual and business clients.	 For clients who transact with merchants or other customers, these branches service their deposits to fund their personal or operating accounts, facilitate withdrawal through over-the-counter (OTC) or onsite ATMs, accept check clearing and encashment, and fulfill various account-related requests. BankCom also services the needs of business customers through its check releasing counters, deposit pickup facilities, and account maintenance for auto-credit and auto-debit arrangements performed by branches. By facilitating other products and services such as deposit and savings account and consumer, BankCom's branch networks support relevant **SDGs 1 and 8.**	BankCom implements training for Branch Staff on Fundamentals on Branch Operations and a Branch Officers Training Program. BankCom also ensures that all branch employees are aware and follow the Bank's FCP Framework ensuring quality delivery of service to branch clients.
Remittance BankCom develops and manages tie-ups with various partners to facilitate remittances from overseas Filipino workers (OFWs) mostly from the Middle East through its **SikapPinoy Asenso** program. An all-in-one service to help OFWs and their families handle their hard-earned money in the most convenient, secure, and smart way possible towards establishing a business of their own. Beyond providing a savings account and accessible remittance channels, SikapPinoy Asenso Program includes assistance to access business franchising opportunities (e.g. U-Franchise	 This program helps Filipinos living abroad and their families manage their remittances, save money, and make investments. This primarily supports **SDG 1** as it makes it easier for money to be transferred to OFW families in need and promotes saving and investing, which helps the OFW and their families become financially resilient over the long term and end poverty cycles. Remittance channels support the macroeconomic growth and stability of the Philippine economy by facilitating the transfer of capital **(SDG 8).** Remittance schemes help OFWs and their families, especially the unbanked, become more integrated into the financial system **(SDG 10).**	BankCom diligently fulfills its fiduciary obligation to safeguard the money entrusted to it by the depositors. BankCom's risk mission and objective are to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities.

and Potato Corner for qualified BankCom OFW account holders. Products: • SikapPinoy OFW Savings Account • SikapPinoy Domestic Remit • SikapPinoy International Remit • E-Government Payments of OFWs		
Digital Channels BankCom's electronic banking channels consist of a mobile app and online banking channel designed for retail or individual customers, i.e., BankCom [Personal], a web-based channel specially made for corporate or institutional accounts, i.e., BankCom [Business], ATMs, Cash Kiosks, and point-of-sale (POS) terminals.	 The objective of strengthening domestic financial institutions to increase access to banking, insurance, and financial services is supported by BankCom's digital banking channels **(SDG 8)**. These channels guarantee easy, quick, and accessible access to BankCom's services.	BankCom implements an IT security program composed of policies and processes to protect its information assets and IT resources. The program includes physical and technical safeguards covering topics such as, but not limited to, physical security, software and hardware controls, backup, storage, disposal and disaster security, internet and network security. This also covers personnel responsibilities such as IT asset management, information security training and incident management.
Financial Literacy Program BankCom's Financial Literacy Program is a comprehensive initiative designed to empower individuals with essential financial knowledge and skills. Through interactive workshops, educational resources, and tailored courses, the program aims to enhance understanding in budgeting, investing, and responsible financial management.	 In order to reduce poverty and increase financial resilience **(SDG 1)**, BankCom works to empower adults with greater financial literacy, which in turn helps them make better financial decisions. By giving people from all backgrounds access to financial information and skills **(SDG 4),** financial literacy also helps to reduce inequality **(SDG 10).**	BankCom regularly reviews its Financial Literacy Program to ensure that updates in finance and banking (threats/risks, new products/services, standards) are incorporated.
Corporate Social Responsibility (CSR) Program		BankCom ensures that its CSR activities are strategic and aligned with its core values. BankCom has

The Bank not only prioritizes its financial performance but also focuses on making meaningful contributions to the development of the nation and welfare of the larger society. The Bank's Corporate Social Responsibility (CSR) efforts are geared toward fulfilling its long-standing commitment to community development, promoting financial literacy, and championing volunteer work • Total volunteers: **271** • Total volunteer hours: **869** • Total number of donors of in-kind donations: **3** • Total value of cash donations: **750,000** (including sponsorships)	BankCom employees volunteered in various coastal clean-ups organized by Team Malasakit of SMF where team members across all business units, BankCom included, volunteered to clean up coastal area across Metro Manila and Visayas.  BankCom team members demonstrated their commitment to the community by organizing a seed potting activity at Mt. Purro in Antipolo. During a two-part event, employees and SET Members participated in potting seeds as a symbolic gesture of their dedication to the community they are a part of. The team collectively potted around 400 Lawaan seedlings and 200 Narra tree saplings.  BankCom partnered with International Care Ministries in providing 420 school kits to elementary students in the Visayas region. The bags include pencils and a pencil case, sharpener, eraser, scissors, art paper, crayons, coloring book and ABAKADA grammar books.	instituted a CSR policy framework that will serve as a guiding document on the implementation of CSR activities. BankCom's CSR activities focus on expanding its financial literacy activities, supporting community development, and promoting environmental sustainability.
Corporate Loans BankCom extends loans and other credit facilities to corporate institutional, and middle market clients to support their working capital and/or capital expenditure requirements. Corporate lending may be in the form of term loans, credit lines, or project finance.	**Electricity and Gas** including renewable energy (RE) reflecting 12% of the outstanding portfolio  **Real Estate** (commercial and residential)  	BankCom's risk mission and objective is to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities.

The Bank's financing portfolio includes, among others: • **Electricity and Gas** including renewable energy (hydropower, solar, battery and other energy storage systems) • **Real Estate** (commercial and residential) • **Construction** • **Manufacturing** (e.g. Food and Beverage, Textile, Apparel, Furniture) • **Agriculture and Fishing** • **Water supply, sewerage, waste management and remediation activities**	**Construction**  **Manufacturing** (e.g. Food and Beverage, Textile, Apparel, Furniture)  **Agriculture and Fishing**  **Water supply, sewerage, waste management and remediation activities**  	BankCom employs its ESRMS to proactively address environmental and social risks. This system ensures that any such risks, which may intersect with financial risks, are effectively managed both in BankCom's core business transactions and in the management of its internal operations. This includes integration of ESG/climate information in credit forms used in credit evaluation to identify, assess, measure and monitor ESG/climate risks at the borrower level. BankCom is also requiring its borrowers, with material environmental impact, to provide a copy of the Environmental Clearance Certificate (ECC).
Loans for small enterprises • Small Business Loan – Term Loan • Small Business Loan – Business Credit Line	 By offering loans to small businesses, BankCom advances the national financial inclusion strategy. It also promotes **SDGs 1 and 8**, which aim to reduce poverty by fostering the expansion of small businesses and the generation of jobs they generate. Because it gives small businesses access to capital, it also advances **SDG 10's** objective.	

GRI CONTENT INDEX

Statement of Use	Bank of Commerce has reported the information cited in this GRI Index for the period January 1, 2024 to December 31, 2024 with reference to the GRI Standards.
GRI 1 Used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION
General Disclosures		
GRI 2: General Disclosures 2021	2-1 Organizational details	Contextual Information, p.1
	2-2 Entities included in the organization's sustainability reporting	Contextual Information, p.1
	2-3 Reporting period, frequency and contact point	Contextual Information, p.1
	2-6 Activities, value chain and other business relationships	Contextual Information, p.1
	2-7 Employees	Social Impact: Employee Management, pp.21 – 24
	2-19 Remuneration policies	Social Impact: Employee Management, pp.21 – 24
	2-22 Statement on sustainable development strategy	Materiality Process, p.4
	2-23 Policy commitments	Economic Impact: Anti-Corruption, pp.12 – 15
	2-30 Collective bargaining agreements	Social Impact: Labor-Management Relations and Standards, pp. 27 – 28
Material Topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Materiality Process, p.4
	3-2 List of material topics	Materiality Process: Material Topics, p.4
Direct economic value generated to stakeholders		
GRI 3: Material Topics 2021	3-3 Management of material topics	Economic Impact: Economic Performance, pp. 5- 7
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Economic Impact: Economic Performance, pp. 5- 7
	201-2 Financial implications and other risks and opportunities due to climate change	Economic Impact: Economic Performance, pp. 5- 7
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Social Impact: Employee Management, pp. 21 - 24
Procurement Practices		
GRI 3: Material Topics 2021	3-3 Management of material topics	Economic Impact: Procurement Practices, pp. 10 - 12
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Economic Impact: Procurement Practices, pp. 10 - 12
Business Ethics and Anti- Corruption		
GRI 3: Material Topics 2021	3-3 Management of material topics	Economic Impact: Anti-Corruption, pp. 12-15
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Economic Impact: Anti-Corruption, pp. 12-15

	205-2 Communication and training about anti-corruption policies and procedures	Economic Impact: Anti-Corruption, pp. 12-15
	205-3 Confirmed incidents of corruption and actions taken	Economic Impact: Anti-Corruption, pp. 12-15
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	Social Impact: Customer Management, pp. 28 - 30
	417-3 Incidents of non-compliance concerning marketing communications	Social Impact: Customer Management, pp. 28 – 30
Resource Consumption		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environmental Impact: Resource Management, pp. 16 - 19
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Environmental Impact: Resource Management, pp. 16 – 19
	302-3 Energy intensity	Environmental Impact: Resource Management, pp. 16 – 19
	302-4 Reduction of energy consumption	Environmental Impact: Resource Management, pp. 16 – 19
GRI 303: Water and Effluents 2018	303-5 Water consumption	Environmental Impact: Resource Management, pp. 16 – 19
GRI 306: Waste 2020	306-3 Waste generated	Environmental Impact: Resource Management, pp. 16 – 19
Environmental Impact Management		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environmental Impact: Environmental Impact Management, pp. 19 – 21
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Environmental Impact: Environmental Impact Management, pp. 19 – 21
	305-2 Energy indirect (Scope 2) GHG emissions	Environmental Impact: Environmental Impact Management, pp. 19 – 21
	305-3 Other indirect (Scope 3) GHG emissions	Environmental Impact: Environmental Impact Management, pp. 19 – 21
	305-4 GHG emissions intensity	Environmental Impact: Environmental Impact Management, pp. 19 – 21
Supply Chain Accreditation Policy		
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Impact: Supply Chain Management, pp. 31 - 33
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Social Impact: Supply Chain Management, pp. 31 – 33
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Social Impact: Supply Chain Management, pp. 31 - 33
Employee Hiring and Benefits		
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Impact: Employee Management, pp. 21 – 24
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Social Impact: Employee Management, pp. 21 - 24
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Social Impact: Employee Management, pp. 21 – 24

	401-3 Parental leave	Social Impact: Employee Management, pp. 21 – 24
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	Social Impact: Labor-Management Relations and Standards, p.27
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Social Impact: Labor-Management Relations and Standards, p.27
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Social Impact: Labor-Management Relations and Standards, p.27
Occupational Health and Safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Impact: Labor-Management Relations and Standards, pp. 27 - 28
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Social Impact: Labor-Management Relations and Standards, pp. 27 - 28
Employee Training		
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Impact: Employee Training and Development, pp. 24 – 26
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Social Impact: Employee Training and Development, pp. 24 – 26
	404-2 Programs for upgrading employee skills and transition assistance programs	Social Impact: Employee Training and Development, pp. 24 – 26
	404-3 Percentage of employees receiving regular performance and career development reviews	Social Impact: Employee Training and Development, pp. 24 - 26
Diversity, Equal Opportunity and Anti-Discrimination		
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Impact: Employee Management, pp. 21 – 24
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Social Impact: Employee Management, pp. 21 – 24
	405-2 Ratio of basic salary and remuneration of women to men	Social Impact: Employee Management, pp. 21 – 24
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Social Impact: Employee Management, pp. 21 – 24
Community Involvement		
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Impact: Community Engagement, pp. 30 – 31
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Social Impact: Community Engagement, pp. 30 – 31
Customer Privacy		
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Impact: Customer Management, pp. 28 - 29
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Social Impact: Customer Management, pp. 28 - 29

C O V E R S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	4	2	2	1

COMPANY NAME

B	A	N	K		O	F		C	O	M	M	E	R	C	E																

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

S	a	n		M	i	g	u	e	l		P	r	o	p	e	r	t	i	e	s		C	e	n	t	r	e			
N	o	.		7	,		S	t	.		F	r	a	n	c	i	s		S	t	r	e	e	t						
M	a	n	d	a	l	u	y	o	n	g		C	i	t	y																

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
N/A	8982-6000	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
155	Any day in April	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Antonio S. Laquindanum	ASLaquindanum@bankcom.com.ph	8982-6000	N/A

CONTACT PERSON's ADDRESS

12th Floor, San Miguel Properties Centre, No. 7 St. Francis St., Mandaluyong City

Note 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

BANK OF COMMERCE

FINANCIAL STATEMENTS
As of December 31, 2023 and 2022 and
For the Years Ended December 31, 2023, 2022 and 2021

With Independent Auditors Report

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of Commerce (the "Bank"), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2023, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Allowance for Expected Credit Losses (ECL) for Loans and Receivables

The risk

The Bank's recognition of allowance for ECL for its loans and receivables is significant to our audit as it involves the exercise of significant management judgment. In calculating ECL, key areas of judgment include: determining the method to estimate ECL; defining default; identifying exposures with significant increase in credit risk; determining assumptions to be used in the ECL model such as expected recoveries from defaulted accounts and amount and timing of future cash flows; and incorporating forward-looking information, rising interest rates, and inflation, among others.

Loans and receivables and the corresponding allowance for credit losses as at December 31, 2023 amounted to P112.59 billion and P3.02 billion, respectively. Provision for credit and impairment losses in 2023 amounted to P113.62 million. The disclosures in relation to the allowance for credit losses are included in Notes 12 and 17 of the financial statements.

Our response

We obtained an understanding of the Bank's ECL methodologies and models for loans and receivables, as approved by the Credit Committee and the Board of Directors, and evaluated whether those are (a) established and implemented consistently in accordance with the underlying principles of PFRS 9, *Financial Instruments;* (b) appropriate in the context of the Bank's lending activities and asset portfolio; and (c) supported with processes and controls including documentations that capture in sufficient detail the judgment and estimation applied in the development of the ECL model.

We have performed the following procedures to address the risk of material misstatement relating to the adequacy of allowance for impairment of loans and other receivables:

- We evaluated the governance over the development, validation and approval of the ECL model including continuous reassessment performed by the Bank;

- We tested the design, implementation and operating effectiveness of key controls in the ECL process. This includes appropriate classification of loan to stages and assignment of loan risk rating, approval of restructured loans, review of underlying collateral valuation, and the calculation and recognition of the ECL allowance;

- We assessed whether the loans are classified to the appropriate stage, and challenged the criteria used to categorize the loan to respective stages;

- On a sample basis, we performed an independent credit review in order to evaluate the appropriateness and adequacy of the risk rating review and credit review processes done by the Bank including its documentation. Accounts selected for review were based on a set of criteria designed to capture the items with high risk of material misstatement in the Bank's loan portfolios;

- We assessed the appropriateness and adequacy of the inputs and assumptions as well as the formulae used in the development of the ECL models, including the determination of the probability of default, loss given default and exposure at default;

- We performed model re-assessment through a series of statistical tests on the time series regression analysis and interpreted the results with the aim to verify, primarily, statistical significance;

- For forward-looking information used, we evaluated whether the historical and projected macro-economic factors (i.e. Remittances, Loan Performances, BVAL Rates, Value of Production Index, Stock Exchange Index, Exports, Consumer Outlook, Foreign exchange rates, and Gross Domestic Product), were appropriate and sufficient. This included assessing the level of significance of the correlation of the forward-looking information to the default rates, as well as the impact of these variables in the ECL. We also reviewed management's use of expert credit judgment on the assessment of other macroeconomic factors as inputs in the ECL models;

- On selected non-performing accounts, we evaluated management's forecast of recoverable cash flows based on agreed restructuring plan, collateral valuation and estimates of recovery from other sources;

- We have tested the completeness and reliability of data used in the ECL calculations through reconciliation of the ECL schedules with source systems and examination of relevant data elements to source documents;

- We have assessed the appropriateness and adequacy of the disclosures made in the financial statements; and

- We involved our Information Technology specialists to assist in testing the relevant automated control environments and application controls and, Financial Risk Management specialists to assess the Bank's ECL models and assumptions.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and determine whether the other information needs to be revised.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 38 to the financial statements is presented for purposes of filing with the BSP and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Vanessa P. Macamos.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years covering the audit of 2019 to 2023 financial statements
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-038-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 10075185
Issued January 2, 2024 at Makati City

March 19, 2024
Makati City, Metro Manila

BANK OF COMMERCE
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2023**	2022
ASSETS			
Cash and Other Cash Items		**P3,500,645,345**	P2,735,170,691
Due from Bangko Sentral ng Pilipinas	*18*	**24,271,918,477**	23,675,469,821
Due from Other Banks		**1,055,354,600**	1,044,255,360
Interbank Loans Receivable and Securities Purchased under Resale Agreements	*8*	**20,111,780,623**	18,378,744,387
Financial Assets at Fair Value through Profit or Loss	*9*	**398,792,440**	381,001,468
Financial Assets at Fair Value through Other Comprehensive Income	*10*	**11,043,804,828**	5,805,050,520
Investment Securities at Amortized Cost	*11*	**52,471,103,294**	52,208,769,061
Loans and Receivables	*12*	**109,566,176,319**	105,091,228,764
Investment in an Associate	*13*	**35,533,764**	39,522,627
Property, Equipment and Right-of-Use Assets	*14*	**1,791,195,950**	1,425,418,610
Investment Properties	*15*	**3,676,126,498**	3,399,986,749
Deferred Tax Assets	*32*	**475,332,923**	612,090,088
Other Assets	*16*	**3,270,214,009**	2,721,190,526
		P231,667,979,070	P217,517,898,672
LIABILITIES AND EQUITY			
Deposit Liabilities	*18*		
Demand		**P54,569,494,343**	P51,792,969,578
Savings		**109,667,913,265**	101,651,552,858
Time		**16,638,541,473**	17,793,297,530
Long-term negotiable certificates		**5,029,420,000**	5,029,420,000
		185,905,369,081	176,267,239,966
Financial Liabilities at Fair Value through Profit or Loss	*9*	**6,201,649**	283,329
Bonds Payable	*20*	**7,478,265,064**	7,442,251,269
Manager's Checks		**1,846,499,855**	661,453,914
Accrued Interest, Taxes and Other Expenses	*21*	**1,387,189,325**	1,165,765,820
Other Liabilities	*22*	**4,193,181,203**	3,950,329,366
Total Liabilities		**200,816,706,177**	189,487,323,664
Equity			
Capital stock	*24*	**18,196,805,900**	18,196,805,900
Paid-in surplus	*24*	**7,229,275,360**	7,229,275,360
Surplus reserves	*25*	**1,095,004,461**	983,407,496
Retained earnings	*24*	**5,123,378,774**	2,425,229,109
Net unrealized losses on financial assets at fair value through other comprehensive income	*10*	**(421,192,531)**	(730,966,925)
Remeasurement losses on retirement liability	*29*	**(365,718,897)**	(77,723,200)
Share in other comprehensive loss of an associate	*13*	**(4,537,968)**	(1,331,685)
Cumulative translation adjustment		**(1,742,206)**	5,878,953
Total Equity		**30,851,272,893**	28,030,575,008
		P231,667,979,070	P217,517,898,672

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF INCOME

	Note	2023	2022	2021
			Years Ended December 31	
INTEREST INCOME				
Interest income calculated using the effective interest method:				
Loans and receivables	*12*	**P8,244,672,503**	P5,465,228,886	P4,284,455,772
Investment securities at fair value through other comprehensive income and at amortized cost	*26*	**2,247,720,169**	1,681,784,534	1,251,563,739
Interbank loans receivable and securities purchased under resale agreements	*8*	**875,706,076**	539,158,895	316,281,375
Due from Bangko Sentral ng Pilipinas and other banks	*18*	**372,909,945**	274,855,345	228,434,625
Other interest income:				
Financial assets at fair value through profit or loss	*26*	**21,561,207**	4,603,469	14,420,446
		11,762,569,900	7,965,631,129	6,095,155,957
INTEREST EXPENSE				
Deposit liabilities	*18*	**2,971,181,154**	1,034,350,259	645,260,590
Bonds payable	*20*	**412,986,306**	173,783,546	-
Lease liabilities	*30*	**32,817,258**	28,177,821	35,033,242
Bills payable and other borrowings	*19*	**49,098,268**	47,041,557	16,691,365
		3,466,082,986	1,283,353,183	696,985,197
NET INTEREST INCOME		**8,296,486,914**	6,682,277,946	5,398,170,760
Service charges, fees and commissions	*27*	**886,379,485**	857,631,877	531,127,752
Gains on foreclosure and sale of property and equipment and foreclosed assets - net	*14, 15, 16*	**495,400,228**	340,449,070	274,985,810
Foreign exchange gains - net		**141,121,355**	150,319,774	48,367,204
Trading and investment securities gains (losses) - net	*28*	**10,598,350**	(29,216,561)	(78,709,145)
Miscellaneous	*31*	**145,276,382**	115,179,381	50,565,323
TOTAL OPERATING INCOME		**9,975,262,714**	8,116,641,487	6,224,507,704
Compensation and fringe benefits	*29*	**2,258,396,096**	1,904,811,525	1,820,969,091
Taxes and licenses	*32*	**1,063,031,768**	947,182,470	802,193,452
Rent and utilities	*30*	**647,697,989**	631,549,967	532,283,906
Depreciation and amortization	*14, 15, 16*	**489,379,046**	431,663,464	462,532,885
Service fees and commissions	*27*	**417,924,021**	293,329,555	229,706,473
Insurance	*18*	**345,083,471**	348,354,755	334,825,533
Subscription fees		**188,452,835**	122,534,992	107,646,170
Management and professional fees		**140,883,712**	108,572,826	85,022,359
Provision for (reversal of) credit and impairment losses	*17*	**78,844,599**	166,210,318	(634,819,513)
Amortization of software costs	*16*	**76,741,228**	73,068,105	53,595,136
Entertainment and recreation		**12,142,020**	76,226,795	97,393,528
Miscellaneous	*31*	**519,792,983**	546,579,681	501,811,576
TOTAL OPERATING EXPENSES		**P6,238,369,768**	P5,650,084,453	P4,393,160,596

Forward

		Years Ended December 31		
	Note	**2023**	2022	2021
INCOME BEFORE SHARE IN NET LOSS OF AN ASSOCIATE AND INCOME TAX EXPENSE		**P3,736,892,946**	P2,466,557,034	P1,831,347,108
SHARE IN NET LOSS OF AN ASSOCIATE	*13*	**782,580**	133,185	1,039,285
INCOME BEFORE INCOME TAX EXPENSE		**3,736,110,366**	2,466,423,849	1,830,307,823
INCOME TAX EXPENSE	*32*	**933,891,191**	666,355,249	623,688,658
NET INCOME		**P2,802,219,175**	P1,800,068,600	P1,206,619,165
Earnings Per Share Attributable to Equity Holders of the Bank	*36*			
Basic		**P1.86**	P1.24	P1.02
Diluted		**1.54**	1.03	0.93

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2023**	2022	2021
NET INCOME		**P2,802,219,175**	P1,800,068,600	P1,206,619,165
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not be reclassified to profit or loss				
Net change in remeasurement losses on retirement liability	*29*	**(287,995,697)**	184,824,187	186,540,613
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)	*10*	**15,857,461**	4,413,992	31,555,000
		(272,138,236)	189,238,179	218,095,613
Items that may be reclassified to profit or loss				
Net change in fair value of debt securities at FVOCI	*10*	**308,408,749**	(578,936,156)	(320,194,577)
Net movement in cumulative translation adjustment		**(7,621,159)**	(1,131,861)	22,414,831
Net change in fair value of debt securities at FVOCI taken to profit or loss	*10*	**(6,964,361)**	-	68,883,753
Share in other comprehensive income (loss) of an associate	*13*	**(3,206,283)**	(5,777)	13,468
		290,616,946	(580,073,794)	(228,882,525)
		18,478,710	(390,835,615)	(10,786,912)
TOTAL COMPREHENSIVE INCOME		**P2,820,697,885**	P1,409,232,985	P1,195,832,253

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Note	**Capital Stock** (Note 24)	**Paid-in Surplus** (Note 24)	**Surplus Reserves** (Note 25)	**Retained Earnings** (Note 24)	**Remeasurement Losses on Retirement Liability** (Note 29)	**Net Unrealized Losses on Financial Assets at FVOCI** (Note 10)	**Cumulative Translation Adjustment**	**Share in Other Comprehensive Loss of an Associate** (Note 13)	**Total Equity**
Balance as at December 31, 2022		**P18,196,805,900**	**P7,229,275,360**	**P983,407,496**	**P2,425,229,109**	**(P77,723,200)**	**(P730,966,925)**	**P5,878,953**	**(P1,331,685)**	**P28,030,575,008**
Net income for the year		**-**	**-**	**-**	**2,802,219,175**	**-**	**-**	**-**	**-**	**2,802,219,175**
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		**-**	**-**	**-**	**-**	**(287,995,697)**		**-**	**-**	**(287,995,697)**
Net change in fair value of equity securities at FVOCI		**-**	**-**	**-**	**-**	**-**	**15,857,461**	**-**	**-**	**15,857,461**
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		**-**	**-**	**-**	**-**	**-**	**308,408,749**	**-**	**-**	**308,408,749**
Net change in fair value of debt securities at FVOCI taken to profit or loss		**-**	**-**	**-**	**-**	**-**	**(6,964,361)**	**-**	**-**	**(6,964,361)**
Net movement in cumulative translation adjustment		**-**	**-**	**-**	**-**	**-**	**-**	**(7,621,159)**	**-**	**(7,621,159)**
Share in other comprehensive loss of an associate		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,206,283)**	**(3,206,283)**
Total comprehensive income for the year		**-**	**-**	**-**	**2,802,219,175**	**(287,995,697)**	**317,301,849**	**(7,621,159)**	**(3,206,283)**	**2,820,697,885**
Issuance of common stock		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transactions within equity:										
Transfer to surplus reserves	*25*	**-**	**-**	**111,596,965**	**(111,596,965)**	**-**	**-**	**-**	**-**	**-**
Transfer of gain on equity securities at FVOCI realized through disposal	*10*	**-**	**-**	**-**	**7,527,455**	**-**	**(7,527,455)**	**-**	**-**	**-**
		-	**-**	**111,596,965**	**(104,069,510)**	**-**	**(7,527,455)**	**-**	**-**	**-**
Balance as at December 31, 2023		**P18,196,805,900**	**P7,229,275,360**	**P1,095,004,461**	**P5,123,378,774**	**(P365,718,897)**	**(P421,192,531)**	**(P1,742,206)**	**(P4,537,968)**	**P30,851,272,893**

Forward

Years Ended December 31

	Note	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Note 24)	Remeasurement Losses on Retirement Liability (Note 29)	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 13)	Total Equity
Balance as at December 31, 2021		P15,390,777,900	P6,776,694,869	P755,806,267	P852,471,738	(P262,547,387)	(P156,154,761)	P7,010,814	(P1,325,908)	P23,362,733,532
Net income for the year		-	-	-	1,800,068,600	-	-	-	-	1,800,068,600
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		-	-	-	-	184,824,187	-	-	-	184,824,187
Net change in fair value of equity securities at FVOCI		-	-	-	-	-	4,413,992	-	-	4,413,992
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	(578,936,156)	-	-	(578,936,156)
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	-	-	-	-
Net movement in cumulative translation adjustment		-	-	-	-	-	-	(1,131,861)	-	(1,131,861)
Share in other comprehensive loss of an associate		-	-	-	-	-	-	-	(5,777)	(5,777)
Total comprehensive income for the year		-	-	-	1,800,068,600	184,824,187	(574,522,164)	(1,131,861)	(5,777)	1,409,232,985
Issuance of common stock	*24*	2,806,028,000	452,580,491	-	-	-	-	-	-	3,258,608,491
Transactions within equity:										
Transfer to surplus reserves	*25*	-	-	227,601,229	(227,601,229)	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	*10*	-	-	-	290,000	-	(290,000)	-	-	-
		2,806,028,000	452,580,491	227,601,229	(227,311,229)	-	(290,000)	-	-	3,258,608,491
Balance as at December 31, 2022		P18,196,805,900	P7,229,275,360	P983,407,496	P2,425,229,109	(P77,723,200)	(P730,966,925)	P5,878,953	(P1,331,685)	P28,030,575,008

Forward

Years Ended December 31

	Note	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Note 24)	Remeasurement Losses on Retirement Liability (Note 29)	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 13)	Total Equity
Balance as at December 31, 2020		P11,224,111,200	P5,594,079,646	P395,602,340	(P51,156,715)	(P449,088,000)	P69,657,563	(P15,404,017)	(P1,339,376)	P16,766,462,641
Net income for the year		-	-	-	1,206,619,165	-	-	-	-	1,206,619,165
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		-	-	-	-	186,540,613	-	-	-	186,540,613
Net change in fair value of equity securities at FVOCI		-	-	-	-	-	31,555,000	-	-	31,555,000
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	(320,194,577)	-	-	(320,194,577)
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	68,883,753	-	-	68,883,753
Net movement in cumulative translation adjustment		-	-	-	-	-	-	22,414,831	-	22,414,831
Share in other comprehensive loss of an associate		-	-	-	-	-	-	-	13,468	13,468
Total comprehensive income for the year		-	-	-	1,206,619,165	186,540,613	(219,755,824)	22,414,831	13,468	1,195,832,253
Issuance of preferred stock	*24*	4,166,666,700	1,233,771,938	-	-	-	-	-	-	5,400,438,638
Transactions within equity:										
Transfer to surplus reserves	*25*	-	-	360,203,927	(360,203,927)	-	-	-	-	-
Application of paid-in surplus against deficit	*24*	-	(51,156,715)	-	51,156,715	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	*10*	-	-	-	6,056,500	-	(6,056,500)	-	-	-
		4,166,666,700	1,182,615,223	360,203,927	(302,990,712)	-	(6,056,500)	-	-	5,400,438,638
Balance as at December 31, 2021		P15,390,777,900	P6,776,694,869	P755,806,267	P852,471,738	(P262,547,387)	(P156,154,761)	P7,010,814	(P1,325,908)	P23,362,733,532

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF CASH FLOWS

	Note	2023	2022	2021
			Years Ended December 31	
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax expense		**P3,736,110,366**	P2,466,423,849	P1,830,307,823
Adjustments for:				
Gain on foreclosure and sale of property and equipment and foreclosed assets - net	*14, 15, 16*	**(495,400,228)**	(340,449,070)	(274,985,810)
Depreciation and amortization	*14, 15, 16*	**489,379,046**	431,663,464	462,532,885
Interest expense on bonds payable	*20*	**412,986,306**	173,783,546	-
Provision for (reversal of) credit and impairment losses	*17*	**78,844,599**	166,210,318	(634,819,513)
Amortization of software costs	*16*	**76,741,228**	73,068,105	53,595,136
Interest expense on lease liabilities	*30*	**32,817,258**	28,177,821	35,033,242
Unrealized loss (gain) on financial assets at fair value through profit or loss (FVPL)	*28*	**(22,810,265)**	(3,032,696)	4,189,634
Loss (gain) on sale of financial assets at fair value through other comprehensive income (FVOCI)	*28*	**(6,964,361)**	-	68,883,753
Share in net loss of an associate	*13*	**782,580**	133,185	1,039,285
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Interbank loans receivables	*8*	**-**	-	106,515,133
Financial assets at FVPL		**10,937,613**	616,927,329	266,617,062
Loans and receivables		**(4,762,183,490)**	(31,013,170,773)	(2,049,407,264)
Other assets		**(478,780,746)**	(147,949,840)	(254,234,814)
Increase (decrease) in:				
Deposit liabilities		**9,638,129,115**	4,553,416,726	22,608,212,154
Manager's checks		**1,185,045,941**	(290,006,583)	81,380,889
Accrued interest, taxes and other expenses		**217,489,398**	130,239,910	90,609,895
Other liabilities		**(64,244,233)**	1,483,681,802	(386,245,709)
Net cash generated from (absorbed by) operations		**10,048,880,127**	(21,670,882,907)	22,009,223,781
Income taxes paid		**(793,239,655)**	(573,609,991)	(366,872,337)
Net cash provided by (used in) operating activities		**9,255,640,472**	(22,244,492,898)	21,642,351,444

Forward

		Years Ended December 31		
	Note	**2023**	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale or redemption of:				
Investment securities at amortized cost		**P84,500,327,600**	P59,895,050,000	P15,166,197,000
Financial assets at FVOCI		**5,963,068,067**	578,775,000	17,433,761,770
Investment properties		**238,440,930**	299,555,213	308,006,196
Property and equipment		**49,279,179**	52,892,081	45,240,223
Additions to:				
Investment securities at amortized cost		**(84,762,807,309)**	(69,194,981,330)	(48,933,469,733)
Financial assets at FVOCI		**(10,877,648,681)**	(1,903,195,601)	(7,358,521,216)
Property and equipment	*14*	**(466,379,345)**	(182,356,128)	(156,995,689)
Software costs	*16*	**(149,908,692)**	(100,896,635)	(48,972,849)
Investment properties		**(21,025,497)**	(4,932,730)	(1,098,889)
Net cash used in investing activities		**(5,526,653,748)**	(10,560,090,130)	(23,545,853,187)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of interest on bonds	*20*	**(376,972,511)**	(106,595,991)	-
Payment of lease liability	*35*	**(238,014,973)**	(231,255,989)	(223,485,330)
Issuance of bonds payable	*35*	**-**	7,427,633,892	-
Issuance of common stock		**-**	3,258,608,491	-
Issuance of preferred stock		**-**	-	5,452,543,902
Settlement of bills payable	*35*	**-**	-	(18,675)
Net cash provided by (used in) financing activities		**(614,987,484)**	10,348,390,403	5,229,039,897
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		**(7,624,444)**	(1,082,325)	22,456,631
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**3,106,374,796**	(22,457,274,950)	3,347,994,785
CASH AND CASH EQUIVALENTS - GROSS AT BEGINNING OF YEAR				
Cash and other cash items		**2,735,170,691**	2,747,780,890	2,420,504,742
Due from Bangko Sentral ng Pilipinas		**23,678,666,441**	45,373,267,996	39,552,550,316
Due from other banks		**1,044,396,366**	1,039,596,824	1,023,393,720
Interbank loans receivable and securities purchased under resale agreements		**18,381,225,853**	19,136,088,591	21,952,290,738
		45,839,459,351	68,296,734,301	64,948,739,516
CASH AND CASH EQUIVALENTS - GROSS AT END OF YEAR				
Cash and other cash items		**3,500,645,345**	2,735,170,691	2,747,780,890
Due from Bangko Sentral ng Pilipinas		**24,275,195,629**	23,678,666,441	45,373,267,996
Due from other banks		**1,055,497,093**	1,044,396,366	1,039,596,824
Interbank loans receivable and securities purchased under resale agreements		**20,114,496,080**	18,381,225,853	19,136,088,591
		P48,945,834,147	P45,839,459,351	P68,296,734,301

Forward

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM INTEREST AND DIVIDENDS			
Operating Activities			
Interest received	**P9,505,491,715**	P6,152,214,757	P5,013,594,767
Interest paid	**2,883,397,684**	978,496,764	659,753,395
Investing Activities			
Interest received	**P2,189,348,496**	P1,614,378,153	P988,560,088
Dividends received	**5,604,161**	1,612,352	5,709,161
Financing Activities			
Interest paid	**P409,789,769**	P135,099,012	P35,396,571

See Notes to the Financial Statements.

BANK OF COMMERCE
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Bank of Commerce (the Bank) is a domestic corporation registered with the Securities and Exchange Commission (SEC) on December 16, 1963. The Bank's shares were listed with the Philippine Stock Exchange, Inc. (PSE) on March 31, 2022, as approved by the SEC on February 15, 2022. The Bangko Sentral ng Pilipinas (BSP) approved the upgrade of the Bank's banking license from commercial bank to universal bank on December 23, 2021. On August 11, 2022, the SEC approved the application of the Bank to act as underwriter of securities engaged in dealing government securities. On October 24, 2022, the Bank received from the BSP the Certificate of Authority to Operate as a Universal Bank dated October 4, 2022. On November 2, 2022, the Bank officially started operations as a universal bank.

The Bank provides services such as deposit products, loans and trade finance, domestic and foreign fund transfers, foreign exchange, credit card and trust services. The Bank's principal place of business is at San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City. The Bank has a total of 140 branches nationwide as at December 31, 2023, 2022 and 2021.

San Miguel Properties, Inc. (SMPI) and San Miguel Corporation Retirement Plan (SMCRP) hold 31.91% and 30.84% ownership of the Bank's issued common shares, respectively, as at December 31, 2023 and December 31, 2022. Each of these shareholders has significant influence over the Bank. SMC Equivest Corporation holds 100% ownership of the Bank's issued non-voting preferred shares as at December 31, 2023 and 2022.

The Bank's original authority for its banking license was approved under Monetary Board (MB) Resolution No. 1045 dated October 4, 1963 as *The Overseas Bank of Manila*. The Bank received its Foreign Currency Deposit Unit (the "FCDU") license and launched its FCDU operations on September 23, 1983. The Bank received its Expanded FCDU license on March 10, 2010. The Bank was renamed Commercial Bank of Manila, Inc. on October 20, 1980, further renamed Boston Bank of the Philippines on July 27, 1988, and finally, Bank of Commerce on November 28, 1991.

Under Section 11, Corporate Term of the Revised Corporation Code issued on February 23, 2019, a corporation shall have perpetual existence unless its articles of incorporation provides otherwise. On January 30, 2020, the Board of Directors (BOD) approved the Amended Articles of Incorporation to reflect that the Bank's term of existence shall be perpetual. The said amendment was approved by the SEC on June 9, 2020.

The financial statements of the Bank were endorsed by the Audit Committee to BOD for its approval on March 19, 2024. The financial statements were approved and authorized for issue by the BOD on March 19, 2024.

2. Basis of Preparation

Statement of Compliance

The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards issued by the International Accounting Standards Board. PFRSs, which are adopted and issued by the Philippine Financial Reporting Standards Council, consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

Basis of Measurement

The financial statements of the Bank have been prepared on a historical cost basis, except for the following items:

Items	Measurement Bases
Financial assets and liabilities at fair value through profit or loss (FVPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Lease liability	Present value of remaining lease payments, discounted using the Bank's incremental borrowing rate
Net retirement liability	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

The financial statements include accounts maintained in the Regular Banking Unit (the RBU) and the FCDU. The functional currency of the RBU and the FCDU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated to their equivalents in PHP as discussed in Note 3. The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

All values are rounded to the nearest peso unless otherwise stated.

Presentation of Financial Statements

The Bank presents its statements of financial position broadly in the order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 23.

3. Material Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the adoption of the following amended standards and framework, which became effective beginning January 1, 2023. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- *Disclosure of Accounting Policies (Amendments to PAS 1, Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures, assisting companies to provide useful, entity-specific accounting policy information that users need to understand other income in the financial statements.

  The Bank reviewed the accounting policies and although the amendments did not result in any changes to the accounting policies themselves, updates were made to the accounting policy information disclosed in Note 3, Material Accounting Policies in certain instances in line with the amendments.

Foreign Currency Transactions and Translation

Foreign exchange differences arising from foreign currency transactions and revaluation and translation of foreign currency-denominated assets and liabilities to functional currency are credited to or charged as part of "Foreign exchange gains - net" account in the statements of income, except for differences arising from the re-translations of equity securities at FVOCI which are recognized directly in "Net change in fair value on equity securities at FVOCI" in other comprehensive income (OCI).

The books of accounts of the FCDU of the Bank are maintained in USD with various transactions in foreign currencies. The foreign currency-denominated income and expenses in the books of accounts are translated into their USD equivalent based on the exchange rates prevailing at the time of transaction. The foreign currency-denominated assets and liabilities at the reporting dates are translated into USD using the Banking Association of the Philippines (BAP) closing rate prevailing at the reporting date.

The foreign currency-denominated monetary assets and liabilities in the RBU are translated to PHP based on the BAP closing rate prevailing at the end of the year. Foreign currency-denominated income and expenses are translated to PHP at the exchange rates prevailing at transaction dates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

For reporting purposes, the FCDU income and expenses are translated to their equivalent in PHP based on the BAP weighted average rate (WAR) for the year. The assets and liabilities of the FCDU at the reporting date are translated into PHP using BAP closing rate at the reporting date. The exchange differences arising from translation (i.e., BAP WAR and BAP closing rate) of FCDU accounts to PHP as presentation currency are taken directly to OCI under "Net movement in cumulative translation adjustment" in the statements of comprehensive income. Upon disposal of the FCDU or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statements of income.

Financial Instruments - Initial Recognition

- *Date of Recognition*
  Regular way purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Settlement date accounting refers to: (a) the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Bank. Deposit liabilities, bills payable, and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

  Derivatives are recognized on trade date basis. Trade date is the date when an entity commits itself to purchase or sell an asset. Trade date accounting refers to: (a) the recognition of an asset to be received or the liability to be paid on the trade date, and (b) the derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on trade date.

- *Initial Recognition of Financial Instruments*
  All financial instruments, whether financial assets or liabilities, are initially measured at fair value. Except for financial assets and liabilities valued at FVPL, initial measurement includes transaction costs.

Financial Instruments - Classification and Subsequent Measurement

Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them.

The Bank's business model for managing financial assets refers to how it manages its financials assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are for sole payment of principal and interest (SPPI). This assessment is referred to as the SPPI test and is performed at an instrument level.

Business Model Assessment
The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level, not on an instrument-by-instrument basis, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed;

- how managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If the cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial asset held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

SPPI Test
As part of the Bank's classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (e.g., if there are repayments of principal or amortization of the premium or discount). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a "more than de minimis" exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

The Bank's measurement categories for financial assets are described below:

(i) Financial Assets at FVPL

Financial assets at FVPL include financial assets held for trading purposes, financial assets designated upon initial recognition at FVPL or financial assets mandatorily required to be measured at fair value. Equity securities are classified as financial assets at FVPL, unless the Bank designates an equity security that is not held for trading as at FVOCI at initial recognition.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt securities to be classified at amortized cost or at FVOCI, as described in succeeding sections, debt securities may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are initially recognized and subsequently measured at fair value in the statements of financial position, with transaction costs recognized in the statements of income. Gains and losses arising from changes in the fair value of financial assets at FVPL and gains and losses arising from disposals of these securities are recognized under "Trading and investment securities gains (losses) - net" account in the statements of income. Interest earned or incurred is recorded as interest income or interest expense, respectively, while dividend income is recorded under "Miscellaneous income" account in the statements of income when the right to receive payment has been established.

Financial assets at FVPL include government and private debt securities held for trading, derivative instruments and debt securities that do not meet the SPPI test. Most of the Bank's derivative trading activities relate to deals with customers that are normally offset by transactions with other counterparties. The Bank may also take positions with the expectation of profiting from favorable movements in prices, rates or indices. The Bank is a counterparty to derivative contracts, such as currency forwards and warrants.

(ii) Financial Assets at Amortized Cost

The Bank measures debt financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included under "Interest income" account in the statements of income. Gains and losses are recognized in the statements of income when the financial asset is derecognized, modified or impaired, as well as through the amortization process. The losses arising from expected credit losses (ECL) is recognized under "Provision for credit and impairment losses" account, while reversals of ECL are recognized under "Reversal of credit and impairment losses" account. The two accounts are netted off in the statements of income. The effects of revaluation on foreign-currency denominated financial assets are recognized under "Foreign exchange gains - net" account in the statements of income.

The Bank's financial assets at amortized cost include cash and other cash items (COCI), exclusive of cash on hand, amounts due from BSP and other banks, interbank loans receivable and securities purchased under resale agreements (SPURA), investment securities at amortized cost, loans and receivables from customers, sales contract receivables, unquoted debt securities, accrued interest receivable, accounts receivable and other receivables.

The Bank may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. As at December 31, 2023 and 2022, the Bank has not made such designation.

(iii) Financial Assets at FVOCI

- *Debt Securities*
  The Bank measures debt securities at FVOCI if both of the following conditions are met:

  - the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

  - the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

  Debt securities at FVOCI are subsequently measured at fair value with unrealized gains and losses arising from fair valuation recognized in OCI under the "Net unrealized losses on financial assets at FVOCI" account in the equity section of the statements of financial position. Interest income and foreign exchange gains and losses are recognized in the statements of income in the same manner as for financial assets measured at amortized cost. The ECL arising from impairment of such investments are recognized in the statements of income with a corresponding charge to "Provision for credit and impairment losses" account if the resulting ECL is impairment losses and to "Reversal of credit and impairment losses" account if the resulting ECL is reversal of impairment. Other fair value changes to measure the instrument at fair value is recognized in OCI.

  Upon derecognition, the cumulative gains or losses previously recognized in OCI are recognized under "Trading and investment securities gains (losses) - net" account in the statements of income.

- *Equity Securities*
  At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity securities as at FVOCI. Designation as at FVOCI is not permitted if the equity security is held for trading.

  Equity securities designated at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in OCI under "Net unrealized losses on financial assets at FVOCI" account in the equity section of the statements of financial position. Dividends earned on holding equity securities designated at FVOCI are recognized in the statements of income as "Miscellaneous income" when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in OCI is reclassified to "Retained earnings" account in the equity section of the statements of financial position. Equity securities designated at FVOCI are not subject to impairment assessment.

  The Bank designated all equity securities that are not held for trading as at FVOCI on initial application of PFRS 9, Financial Instruments.

Financial Liabilities
The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or at FVPL.

Financial liabilities are classified and subsequently measured at amortized cost using the effective interest method, except for financial liabilities measured at FVPL. Financial liabilities measured at FVPL consists of: (a) financial liabilities held-for-trading, including derivative liabilities that are not accounted for as hedging instruments; and (b) financial liabilities designated at fair value through profit or loss.

The Bank may, at initial recognition, irrevocably designate financial liabilities as measured at FVPL.

The Bank's financial liabilities at amortized cost include deposit liabilities, bills payable, bonds payable, manager's checks, lease liabilities, accrued interest and other expenses (except accrued employee and other benefits and accrued taxes payable) and other liabilities (except withholding tax payable, retirement liability and ECL on off-balance sheet exposures).

Financial liabilities at FVPL include derivative liabilities held-for-trading arising from cross-currency swap and forward contracts. Similar to derivative assets, any gains or losses arising from changes in fair values of derivative liabilities are taken directly to "Foreign exchange gains - net" account in the statements of income. Derivatives are carried as liabilities when the fair value is negative.

Reclassification of Financial Assets and Liabilities
The Bank can reclassify financial assets if the objective of its business model for managing the financial asset changes. Reclassification of financial assets designated at FVPL or equity securities at FVOCI at initial recognition is not permitted.

A change in the objective of the Bank's business model will be effected only at the beginning of the next reporting period following the change in the business model.

Financial liabilities are not reclassified.

Modifications of Financial Assets and Financial Liabilities

Financial Assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expire. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- other fees are included in the statements of income and expenses as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

To determine whether a modification of a financial asset is substantial or non-substantial, the guidance set out in this policy should be applied. Where it is not clear whether a “substantial modification” has occurred based on the application of this guidance, a 10.0% net present value change (equivalent to the PFRS 9 - test for financial liabilities) should be applied as a backstop.

In some cases, whether or not a modification is substantial will be clear with little or no analysis while in others, a high degree of judgment may be required.

The modification of a financial asset could involve one or both of the following:

(a) Changes in contractual terms that have a direct impact on the contractual cash flows. For example: changes to limit, tenor (maturity), interest rate, currency, or introduction or removal of features that give rise to cash flows other than payments of principal and interest on the principal amount outstanding;

(b) Changes in contractual terms that do not have a direct impact on the contractual cash flows. For example: changes in security, collateral or other credit enhancements that change the credit risk associated with the loan.

Based on the Bank’s policy, the delineation between substantial and non-substantial modifications should focus on category (a) modifications, specifically changes in credit limit, tenor, currency or SPPI characteristics.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original EIR of the asset and recognizes the resulting adjustment as a modification gain or loss in the statements of income.

For floating-rate financial assets, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such modification is carried out because of the financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

Financial Liabilities
The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized in the statements of income. Consideration paid included non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original EIR and the resulting gain or loss is recognized in the statements of income. For floating-rate financial liabilities, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining terms of the modified financial liability by re-computing the EIR on the instrument.

Derecognition of Financial Assets and Financial Liabilities
Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or

- the Bank has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of ownership of the asset; or (b) has neither transferred nor retained the risks and rewards of ownership of the asset but has transferred the control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of income.

Impairment of Financial Assets
The Bank recognizes ECL for loan and other debt financial assets at amortized cost and at FVOCI, together with loans commitments and financial guarantee contracts. No impairment loss is recognized on equity securities.

Expected Credit Loss Methodology
The Bank measures ECL in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. PFRS 9 requires a loss allowance to be recognized at an amount equal to either the 12-month ECL or lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date.

Staging Assessment
For non-impaired financial instruments:

- Stage 1: Comprised of performing financial instruments which have not experienced SICR since initial recognition or have low credit risk as of reporting date. This stage recognizes a 12-month ECL for the financial instruments categorized under this group.

- Stage 2: Comprised of under-performing financial instruments which have experienced a SICR since initial recognition, but do not have objective evidence of impairment. This stage recognizes a lifetime ECL for the financial instruments categorized under this group.

  For credit-impaired financial instruments:

- Stage 3: Comprised of non-performing financial instruments with one or more loss events occurring since the original recognition or assets with objective evidence of impairment at reporting date and matured accounts with outstanding balances. Financial instruments falling within this stage have objective evidence of impairment thus requiring the recognition of lifetime ECL.

Definition of "Default" and "Cure"
The Bank generally classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days, considered non-performing, under litigation or is classified as doubtful or loss. In assessing whether a borrower is in default, the Bank considers indicators that are qualitative (i.e., breach of covenant) and quantitative (i.e., overdue status and non-payment on another obligation of the same borrower/issuer to the Bank). An instrument is considered to be no longer in default (i.e., to have cured) when there is sufficient evidence to support that full collection of principal and interests is probable and payments are received for at least six (6) months. This definition is consistent with the definition of non-performing loans (NPL) under Section 304 of the Manual of Regulations for Banks (MORB), *Past Due Accounts and Non-Performing Loans*.

Credit Risk at Initial Recognition
The Bank makes full use of its Internal Credit Risk Rating System (ICRRS) for corporate loans and credit scorecards for consumer loans to determine the credit risk of exposures at initial recognition. The ICRRS is devised to assess the level of risk associated with each borrower using a combination of both quantitative and qualitative factors. Subsequent credit assessments and approvals are also considered in determining the credit risk. On the other hand, credit scorecard is a tool used to evaluate the credit risk associated to individual customers. Customer-specific factors and internal data are taken into consideration to calculate a credit score. The credit decision is based on the output of the credit score and policy rules.

Significant Increase in Credit Risk
The definition of a SICR varies by portfolio where the determination of the change in credit risk includes both the quantitative and qualitative factors.

The Bank applies the movement in its Corporate Loan account's credit risk rating and assessment of breach in watchlist triggers to indicate a possible significant credit downgrade or upgrade through a risk rating matrix. For the remaining portfolios, the Bank considers that a SICR occurs no later than when an asset is more than 30 days past due. The total number of days past due is determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Furthermore, the Bank's internal credit assessment may consider a counterparty to have a SICR since initial recognition if it is identified to have well-defined credit weaknesses. These may include adverse changes in the financial, managerial, economic and/or political nature of a business. Credit weakness can be established by an unsatisfactory track record that merits close monitoring and attention from management.

If there is evidence that there is no longer a SICR relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. For unrated financial instruments, the SICR is measured using the number of days past due which is also consistent with the staging criteria presented above.

ECL Parameters and Methodologies
ECL is a function of the following credit risk parameters:

(a) Probability of Default (PD)
The PD is the measure of likelihood that a borrower will be unable to settle his obligation/s on time and in full over a given time period, either over the next 12 months (12-month PD) or over the remaining life (Lifetime PD) of the loan obligation. The Bank currently uses its ICRRS, behavioral scorecard and other relevant drivers of default to segment exposures with homogenous risk characteristics.

Point-in-Time (PiT) PD calibration is done to reflect the current trends in business and credit cycle. Macroeconomic forecasts are incorporated to come up with PiT PDs that are unbiased and forward-looking projections of future default risk.

(b) Loss Given Default (LGD)
LGD measures the percentage amount of credit losses incurred and not recovered at the time of default. LGD estimation is based on historical cash flow recoveries. Calculation of the LGD is adjusted for some assets to consider cashflow recoveries on collateral. For some financial assets, the Bank supplemented internal assessments with regulatory thresholds to arrive at the LGD assumption.

LGD estimation also considers the present value calculation and cost adjustment in determining the recoveries.

(c) Exposure at Default (EAD)
EAD is defined as the outstanding amount of credit exposure at the time of default. EAD is estimated by modelling the historical data on both the actual drawn and undrawn amounts for each credit facility. When estimating EAD, several factors are taken into account, including the length of time for which the estimation is being made, the predicted cash flows until the point of default, total loan tenure, and the remaining duration of the loan. This provides a more robust estimate of the total amount the Bank is exposed to.

Forward-looking Information
The Bank incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL.

The Bank enhanced its ECL methodology by incorporating multiple future macroeconomic expectations in order to estimate credit losses on the basis of probability-weighted outcomes. The Bank has performed statistical analysis of historical data to determine which macroeconomic variables (MEVs) are correlated with the performance of specific loan portfolios. The MEVs considered were obtained using publicly available sources such as BSP and Philippine Statistical Association. A broad range of forward looking information are assessed as economic inputs. Based on historical data analysis, the Bank found significant relationships between MEVs and credit risk which vary by product type. Forward looking MEVs used include Remittances, Loan Performances, BVAL rates, Value of Production Index (VAPI), Stock Exchange Index, Exports, Consumer Outlook, Foreign Exchange rates and Gross Domestic Product (GDP) (Agriculture). The selected MEVs were confirmed using experienced credit judgment.

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Restructured Loans
Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and the future payments are likely to occur. When the loan has been restructured but not derecognized, the Bank also reassesses whether there has been a SICR and considers whether the assets should be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.

Write-offs
Financial assets are written off either partially or in full when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included under "Miscellaneous income" account in the statements of income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

'Day 1' Difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank recognizes the difference between the transaction price and fair value (a 'Day 1' difference) as part of current operations in the period when the asset is acquired or the liability is incurred. In cases where the transaction price used is based on inputs which are not observable, the difference between the transaction price and model value is only recognized as part of current operations in the period when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

Offsetting
Financial assets and liabilities are offset with the net amount reported in the statements of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, as the related assets and liabilities are presented gross in the statements of financial position.

As at December 31, 2023 and 2022, the Bank did not have any financial instrument that qualified for offsetting.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include COCI, amounts due from BSP and other banks and interbank loans receivable and SPURA with original maturities of three months or less from dates of placement and that are subject to insignificant risk of changes in value.

COCI consist of cash on hand and checks and other cash items. Cash on hand refers to the total amount of cash in the Bank's vault in the form of notes and coins under the custody of the cashier/cash custodian or treasurer, including notes in the possession of tellers and those kept in automated teller machines (ATMs).

Repurchase and Reverse Repurchase Agreements

Securities sold under repurchase agreements (SSURA) at a specified future date ("repos") are not derecognized from the statements of financial position. The corresponding cash received, including accrued interest, is recognized in the statements of financial position as liability of the Bank, reflecting the economic substance of such transaction.

Conversely, SPURA to resell at a specified future date ("reverse repos") are not recognized in the statements of financial position. The corresponding cash paid, including accrued interest, is recognized in the statements of financial position as securities purchased under resale agreement, and is considered as a loan to the counterparty. The Bank is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. The difference between the purchase price and resale price is treated as interest income in the statements of income and is amortized over the life of the agreement using the effective interest method.

Financial Guarantees and Undrawn Loan Commitments

Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. The nominal contractual values of undrawn loan commitments, where the loans agreed to be provided are on market terms, are not recorded in the statements of financial position. These contracts are in the scope of the ECL requirements where the Bank estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to loan commitments is recognized under "Other liabilities" account in the statements of financial position.

In the ordinary course of business, the Bank issues financial guarantees in favor of other parties. Financial guarantees are initially recognized in the financial statements at fair value, and the initial fair value is amortized over the life of the financial guarantee in accordance with PFRS 15. The financial guarantee is subsequently carried at the higher of the amount of loss allowance determined in accordance with the ECL model and the amount initially recognized, less when appropriate, the cumulative amount of income recognized in accordance with PFRS 15.

Investment in an Associate

An associate is an entity over which the Bank has significant influence but no control. This is a rebuttable presumption in case the equity interest of the Bank in an entity is between 20.0% and 50.0%. The Bank's equity investment in BIC Management and Consultancy, Inc. (formerly Bancommerce Investment Corporation) (BIC) represents 24.26% of BIC's capital stock. Accordingly, the Bank's equity investment in BIC is treated as an investment in an associate accounted for under the equity method of accounting since there is no indication of control.

Under the equity method, an investment in an associate is carried in the statements of financial position at cost plus post-acquisition changes in the Bank's share in the net assets of the associate. The Bank's share in an associate's post-acquisition profits or losses is recognized in the statements of income, and its share of post-acquisition movements in the associate's equity reserves is recognized directly in equity.

When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits and losses resulting from transactions between the Bank and an associate are eliminated to the extent of the Bank's interest in the associate.

The reporting period of BIC is on a calendar year basis. BIC's accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

Property and Equipment

Land is stated at cost less any impairment in value. Depreciable properties including buildings, furniture, fixtures and equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts and rebates, and any costs that are directly attributable in bringing the property and equipment to its location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put to operation, such as repairs and maintenance, are normally charged against operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in the increase in the future economic benefits to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the estimated useful life of the improvements or the terms of the related lease, whichever is shorter.

The estimated useful lives of property and equipment are as follows:

	Years
Building	50
Furniture, fixtures and equipment	3 - 7
Leasehold improvements	5 - 15

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income in the period the asset is derecognized.

The asset's residual values, useful lives and method of depreciation and amortization are reviewed, and adjusted if appropriate, at each reporting date.

Investment Properties

Investment properties are composed of assets acquired from foreclosure or *dacion en pago* and land and building that are vacant and no longer used for administrative purposes (previously owner-occupied property), and are initially measured at cost including transaction costs. An investment property acquired through an exchange transaction is initially recognized at the fair value of the asset acquired unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable, in which case the investment property acquired is measured at the carrying amount of the asset given up. The difference between the fair value of the asset received and the carrying amount of the asset given up is recorded as "Gain on foreclosure" under "Gain on foreclosure and sale of property and equipment and foreclosed assets - net" account in the statements of income. Foreclosed properties are classified under "Investment properties" upon:

- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

The Bank applies the cost model in subsequently measuring its investment properties. Land is carried at cost less any impairment in value and depreciable properties acquired are carried at cost. Cost is the fair value of the asset at acquisition date, less any accumulated depreciation and any impairment in value. Transaction costs, which include non-refundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of cost of the investment properties.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or 10 years, whichever is lower. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or the start of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the start of owner-occupation or of development with a view to sell.

Repairs and maintenance costs relating to investment properties are normally charged to statements of income in the period in which the costs are incurred.

An investment property is derecognized when it has either been disposed of or when it is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on derecognition of an investment property is recognized in the statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

Other Properties Acquired

Other properties acquired, included under "Other assets" account in the statements of financial position, include chattel mortgage properties foreclosed in settlement of loan receivables. The Bank applies the cost model of accounting for these assets. Under the cost model, these assets are carried at cost, which is the fair value at acquisition date, less accumulated depreciation and any impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or three years, whichever is lower. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of the other properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Non-financial Assets).

An item of other properties acquired is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

Intangible Assets

Intangible assets consist of software costs and branch licenses. Intangible assets acquired separately, included under "Other assets" account in the statements of financial position, are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses. Internally generated intangible assets are not capitalized but recognized in the statements of income in the period when the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the statements of income under the expense category consistent with the function of the intangible asset. Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statements of income in the period when the asset is derecognized.

Branch Licenses

Branch licenses are granted by the BSP and capitalized on the basis of the costs incurred to acquire and bring to use in operation. Branch licenses are determined to have indefinite useful lives and are tested for impairment annually.

Software Costs

Software costs include costs incurred relative to the purchase of the Bank's software and are amortized on a straight-line basis over 5 years. Software costs are carried at cost less accumulated amortization and any impairment in value.

Impairment of Investment in an Associate and Non-financial Assets

Investment in an Associate, Property, Equipment and Right-of-Use Assets, Investment Properties, Other Properties Acquired and Intangible Assets under "Other Assets"

At each reporting date, the Bank assesses whether there is any indication of impairment on investment in an associate, property, equipment and right-of-use assets, investment properties, other properties acquired and intangible assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of the net recoverable amount.

The net recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the net recoverable amount is assessed as part of the cash-generating unit to which it belongs. Value in use is the present value of future cash flows expected to be derived from an asset or cash-generating unit while fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable and willing parties less any costs of disposal. Where the carrying amount of an asset (or cash-generating unit) exceeds its net recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged against operations in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that the previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the net recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's net recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its net recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income.

After such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair Value Measurement

The Bank measures financial instruments, such as, financial assets and liabilities at FVPL, financial assets at FVOCI and net retirement liability which is measured at present value of the defined benefit obligation less fair value of plan assets, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 6.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair Value Hierarchy

The majority of valuation models deploys only observable market data as inputs. This has not changed as a result of COVID-19, however the Bank has considered the impact of related economic and market disruptions on fair value measurement assumptions and the appropriateness of valuation inputs, notably valuation adjustments, as well as the impact of COVID-19 on the classification of exposures in the fair value hierarchy.

The Bank evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgement and estimation in determining the carrying values of financial assets and financial liabilities at the reporting date.

For certain financial instruments, the Bank may use data that is not readily observable in current markets. If the Bank uses unobservable market data, then the Bank needs to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, the Bank derives unobservable inputs from other relevant market data and compares them to observed transaction prices where available.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External appraisers are involved for valuation of significant assets such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. In particular, the external appraisers must hold a recognized and relevant professional qualification and have recent experience in the location and category of the investment property being valued.

Valuation from external appraisers are subject to quality assurance by the Bank to ensure that the minimum requirements and standards for appraisals are met. The minimum requirements and standards entail consistency and accuracy of the information in the appraisal reports. The appraisal undertaking must comply with the provisions of the Philippine Valuation Standards (PVS). Market value is defined by PVS as the estimated amount for which a property can be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in Note 6.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the income can be reliably measured. Revenue is measured at the fair value of the consideration received/receivable.

Determining whether the Bank is acting as a Principal or an Agent

The Bank assesses its revenue arrangements against the following indicators to determine whether it is acting as a principal or an agent:

- whether the Bank has primary responsibility for providing the services;
- whether the Bank has discretion in establishing prices; and
- whether the Bank has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer.

The Bank has determined that it is acting as a principal in its revenue arrangements except for activities where the Bank acts in a fiduciary or custodian capacity such as nominee, trustee, or agent. Income from fiduciary and custodianship activities are included under “Service charges, fees and commission” account in the statements of income.

The following specific recognition criteria must also be met before revenue is recognized:

Revenues Within the Scope of PFRS 15

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

Service Charges and Penalties
Service charges and penalties are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectability. This arises from deposit-related processing transactions and charges from late payments on loans and drawing against insufficient funds of depositors.

Fees and Commissions

(i) Fee Income Earned from Services that are Provided over a Certain Period of Time
Fees earned for the provision of services over a period of time are accrued over that period. These include guarantee fees, credit related fees, investment fund fees, custodian fees, fiduciary fees, portfolio and other management fees. Commitment fees for facilities where a drawdown is not generally expected must be recognized over the facility period. If a drawdown is expected and the commitment expires without the Bank making the loan, the commitment fees are recognized as fee income on expiry of the scheduled drawdown.

(ii) Fee Income Earned from Providing Transaction Services
Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as underwriting fees and brokerage fees for the arrangement of the acquisition of shares or other securities are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance obligation are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statements of income when the syndication has been completed and the Bank retains no part of the loans for itself or retains a part of the loan at the same EIR as the other participants.

Discounts Earned and Awards Revenue on Credit Cards
Discounts received are taken up as income upon receipt from member establishments of charges arising from credit availments by the Bank’s cardholders. These discounts are computed based on certain agreed rates and are deducted from the amounts remitted to the member establishments. These also include interchange income from transactions processed by Mastercard, a card network, and fees from cash advance transactions of cardholders.

The amount allocated to the loyalty program is deferred and recognized as revenue when the award credits expire or the likelihood of the customer redeeming the loyalty points becomes remote. Award credits under customer loyalty program are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated based on the estimated stand-alone selling prices. Income generated from customer loyalty program is included under 'Service charges, fees and commissions' in the statements of income.

Other Income
Income from the sale of services is recognized upon completion of the service. Income from sale of properties is recognized when control over properties transfers to the recipients, measured as the difference between the transaction price and the properties' carrying amounts and presented under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the statements of income.

Revenues Outside the Scope of PFRS 15

Interest Income
Interest income is recognized in the statements of income for all financial assets measured at amortized cost and debt securities at FVOCI as they accrue, using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all the contractual terms of the financial instruments including any fees or incremental costs that are directly attributable to the instrument and are integral part of the EIR, but not future credit losses. The EIR is established on initial recognition of the financial asset and liability and is not revised subsequently, except for repricing loans. The carrying amount of the financial asset or liability is adjusted if the Bank revises its estimates of payments or receipts. The change in carrying amount is recognized in the statements of income as interest income or expense.

Interest on interest-bearing financial assets at FVPL is recognized based on the contractual rate.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "Impairment of Financial Assets" above), the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus a certain percentage of cost. The excess over cost is credited to 'Unearned discount' and is shown as a deduction from 'Loans and receivables' in the statements of financial position. The unearned discount is taken up to interest income over the installment term and is computed using the effective interest method.

Trading and Investment Securities Gains or Losses
Trading and investment securities gains or losses represent results arising from disposal of debt securities at FVOCI and trading activities (realized gains and losses) and from the changes in fair value of financial assets and liabilities at FVPL (unrealized gains or losses).

Dividends
Dividends are recognized when received or when the Bank's right to receive the dividends is established.

Rental Income
Payments received under operating lease arrangements are recognized in the statements of income on a straight-line basis over the term of the lease.

Recovery on Charged-off Assets
Income arising from collections on accounts or recoveries from impairment of items previously written off is recognized in the statement of income in the year of recovery.

Expense Recognition
Expense is recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in liability has arisen to the Bank and can be measured reliably.

Interest Expense
Interest expense for all interest-bearing financial liabilities is recognized in "Interest expense" account in the statements of income using the EIR of the financial liabilities to which they relate.

Other Expenses
Other expenses include losses and expenses that arise in the ordinary course of business of the Bank and are recognized when incurred.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Bank has presented legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits
The Bank has a funded, noncontributory defined benefit plan administered by a trustee. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The retirement cost is generally funded through payments to a trustee-administered fund, determined by annual actuarial calculations.

The retirement benefits liability recognized in the statements of financial position in respect of the defined benefits retirement plan is the present value of the defined benefits obligation at the valuation date less the fair value of plan assets. The defined benefits obligation is calculated annually by an independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rate on high quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement liability.

Remeasurements of the defined benefit liability, which include actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Bank determines the net interest expense (income) on the retirement benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the retirement benefit liability (asset), taking into account any changes in the retirement liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in the statements of income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statements of income. The Bank recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Equity

"Capital Stock" is recorded at par for all shares issued and outstanding.

"Paid-in Surplus" represents the proceeds in excess of par value. Incremental costs incurred which are directly attributable to the issuance of new shares are charged to "Paid-in surplus".

"Retained Earnings (Deficit)" represents the accumulated earnings (losses) of the Bank.

"Surplus Reserves" represent the appropriation of retained earnings in relation to allowance for credit losses which are less than the 1.0% general provision prescribed by the BSP for regulatory purposes, 10.0% of the Bank's profit from trust business, and self-insurance of the Bank.

Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

Bank as Lessee

At the commencement or upon modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises, the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and any impairment losses, adjusted for certain remeasurements of the lease liability. Cost comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove any improvements made. The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the Bank's incremental borrowing rate.

The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index rate, change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase, extension or termination option is reasonably certain not to be exercised or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents the right-of-use assets in “Property, Equipment and Right-of-Use Assets” while lease liabilities are included under “Other liabilities” in the statements of financial position.

Short-term Leases and Leases of Low-value Assets
The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Bank recognizes the lease payments associated with these leases as a rent expense on a straight-line basis over the lease term.

Bank as a Lessor
At the inception or upon modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Bank is a party to operating leases as a lessor. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as the rental income. Contingent rentals are recognized as income in the period in which they are earned.

Income Tax Expense

Current Tax

Current income tax is the expected tax payable on the taxable income for the year using the tax rates enacted at the reporting date. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

Deferred Tax

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. These reflect uncertainty related to income taxes, if there is any.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is charged to current operations, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent Assets and Liabilities

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities.

Events After the Reporting Date
Post year-end events that provide additional information about the Bank's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Fiduciary Activities
Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Bank acts in a fiduciary capacity such as nominee, trustee or agent.

4. Critical Judgments and Estimates

The preparation of financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses, and disclosures of contingent assets and contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant Judgments
In the process of applying the Bank's accounting policies, management has made the following significant judgments, apart from those involving estimations, which may have the most significant effect on amounts recognized in the financial statements:

a) Leases

Bank as Lessee
The Bank leases properties, land and buildings for the premises it uses for its operations.

The Bank recognizes right-of-use assets and lease liabilities for most leases - on-balance sheet leases. However, the Bank has elected not to recognize right-of-use assets and lease liabilities for leases involving assets of low value. The same policy is likewise applied for short-term leases. The Bank recognizes the lease payments associated with these leases as an expense on a straight- line basis over the lease term.

Significant judgment is exercised by the Bank in determining the discount rate to be used in calculating the present value of right-of-use assets and lease liabilities. The discount rate is represented by the incremental borrowing rate which is Bloomberg Valuation (BVAL) rate and credit spread as determined by the Bank.

The carrying amounts of right-of-use assets and lease liabilities are disclosed in Notes 14 and 22, respectively.

Bank as Lessor
The Bank has entered into commercial property lease agreements for its property and equipment, and investment properties. The Bank has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out under operating lease agreements.

In determining whether or not a lease should be treated as an operating lease, the retention of ownership title to the leased property, period of lease contract relative to the estimated economic useful life of the leased property and bearer of executory costs, among others, are considered.

b) Business Model Assessment

The Bank manages its financial assets based on the business models that maintain adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for investing and trading activities consistent with its risk appetite.

The Bank developed business models which reflect how it manages its portfolio of financial instruments. The Bank's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to, taking into consideration the objectives of each business model established by the Bank. The level of aggregation at which the business model is applied is based on the specific activities being undertaken by each business unit of the Bank to achieve its stated objectives and other relevant factors such as risks affecting the business model, key performance indicators in evaluating the business model, and how managers of the business are compensated.

The Bank assesses the performance of each business model by considering the activities undertaken by the business models, placing the appropriate key performance indicators and monitoring the frequency of sales activities. PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers facts and circumstances present to assess whether an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a hold-to-collect business model and whether the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

c) Testing the Cash Flow Characteristics of Financial Assets

In determining the classification of financial assets under PFRS 9, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk), i.e., cash flows that are non-SPPI, does not meet the amortized cost and FVOCI criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

d) Functional Currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates,* requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Bank considers the following:

- the currency that mainly influences sales prices for financial instruments and services;
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Based on the economic substance of the underlying circumstance relevant to the Bank, the functional currency of the Bank's RBU book of accounts and FCDU book of accounts have been determined to be PHP and USD, respectively.

PHP and USD are the currencies of the primary economic environment in which the Bank operates. These are the currencies that mainly influence the income and costs arising from the Bank operations.

e) Provisions and Contingencies

The Bank, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. Judgment is exercised by management to distinguish between provisions and contingencies (see Note 38).

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(i) Expected Credit Losses on Financial Assets, Loan Commitments and Financial Guarantees

The Bank reviews its financial assets at amortized cost and debt securities at FVOCI, loan commitments and financial guarantees to assess the amount of credit losses to be recognized in the statements of financial position at least on an annual basis or more frequently, as deemed necessary. The measurement of ECL under PFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL and the assessment of a SICR. These estimates are driven by a number of factors, changes to which can result in different levels of allowances.

The ECL methodology of the Bank is regularly recalibrated to improve the accuracy of the ECL models using updated data. Significant factors affecting the estimates on the enhanced ECL model include:

- The default and credit impaired financial assets are aligned across all credit portfolios;
- PD segmentation is based on the staging criteria (i.e., delinquency age buckets, internal credit risk ratings and loan status);
- The LGD takes into account post-default relevant information such as cost of recoveries and curing rate. LGD is adjusted to its present value of expected cash flows using risk-adjusted interest rate. The final LGD estimates are pooled by collateral type;
- EAD estimates consider (a) time horizon for which EAD needs to be estimated, (b) projected cash flows until the estimated point of default and (c) remaining loan term;
- The Bank uses three economic scenarios to arrive at probability-weighted ECL estimates. These scenarios represent a most likely outcome (that is, the 'Baseline' or central scenario) and two less likely scenarios on the either side of the central (that is, the 'Optimistic' and 'Pessimistic', respectively). The scenario weights are developed based on the relative frequency distribution of historical GDP data. Both the 'Optimistic' and 'Pessimistic' scenarios reflect the lower and upper levels whereas the 'Baseline' scenario represents the central distribution; and
- The impact of Covid-19 has been appropriately incorporated in the impairment allowance calculation using more recent data. The Bank has updated the macroeconomic expectations in the model to consider the effects of Covid-19 pandemic situation.

In 2022, the ECL methodology of the Bank was validated by an external validator. Changes brought upon by the model validation are the following:

- The PD calculation template was aligned with the model documentation;
- The migration rates used for the LGD calculation of the Corporate, Auto, Housing, Salary, Personal and Benefit loans were also aligned with the model documentation; and
- Aligned the logical trend of Optimistic, Baseline, and Pessimistic scenarios using historical data.

In 2023, the Bank recalibrated the ECL framework. Updates on the ECL parameters involved the following:

- The most recent data were applied for PD, LGD and EAD.
- The following information were incorporated in LGD:
  - Recovery information for Corporate & Consumer
  - Collection fees for Auto and Housing
- Additional PD and EAD segmentation were considered.
- Account-level discounting factor was applied.
- The Macroeconomic Factors (MEF) were tested and updated based on the recalibration. The updated MEFs include Remittances, Loan Performances, BVAL rates, VAPI, Stock Exchange Index, Exports, Consumer Outlook, FX rates, and GDP (Agriculture).

Refer to Notes 3 and 5 for the detailed discussions of the inputs, assumptions and estimation uncertainty used in measuring ECL under PFRS 9. The related allowance for credit losses subject to ECL are disclosed in Note 17.

(ii) Fair Value of Financial Instruments

Where the fair values of financial assets and liabilities (including derivatives) recognized in the statements of financial position cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These estimates may include consideration of liquidity, volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(iii) Impairment of Investment in an Associate and Non-financial Assets

Investment in an Associate, Property, Equipment and Right-of-Use Asset, Investment Properties, Other Properties Acquired, and Intangible Assets under "Other Assets"

The Bank assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

a) significant underperformance relative to expected historical or projected future operating results;

b) significant changes in the manner of use of the acquired assets or the strategy for overall business; and

c) significant negative industry or economic trends.

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its net recoverable amount. Net recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The carrying values of investment in an associate, property, equipment and right-of-use assets, investment properties, other properties acquired and intangible assets under "Other Assets" are disclosed in Notes 13, 14, 15 and 16, respectively.

(iv) Estimated Useful Lives of Property and Equipment, Investment Properties, Other Properties Acquired and Software Costs

The useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from property and equipment and computer software.

The estimated useful lives of property and equipment, investment properties, other properties acquired and software costs are disclosed in Note 3.

(v) Recognition of Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that sufficient taxable income will be available against which the related tax benefits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the forecasted timing and amount of future taxable income together with future tax planning strategies.

The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The recognized and the unrecognized deferred tax assets are disclosed in Note 32.

(vi) Present Value of Retirement Benefit Obligation

The cost of retirement benefits and other post-employment benefits are determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the prevailing market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at reporting date. The present value of the Bank's retirement obligation and the fair value of plan assets are disclosed in Note 29.

(vii) Contingencies

The Bank is currently involved in various legal proceedings. The probable costs for the resolution of these proceedings has been estimated by management, in consultation with the legal counsels handling the Bank's legal defense in these matters, and is based upon an analysis of potential results.

Management currently does not believe that these proceedings will have a material adverse effect on the Bank's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 38).

5. Financial Risk Management Objectives and Policies

Introduction

The business of banking involves financial risks which must be measured, monitored and managed by an effective risk management system embedded throughout the whole organization. Effective risk management ensures that financial risks are properly identified, assessed, measured and managed. The diligent monitoring and management of all financial risks, notably credit, interest rate risk in the banking book (IRRBB), market and liquidity risk require the development of a risk-conscious culture that will influence daily business activities and decision-making.

The Bank believes that effective risk management will not only minimize potential or actual losses but will also optimize earnings by correctly pricing its products and services commensurate to the risks taken. Its risk mission and objectives are to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities.

Risk Management Structure

The BOD is ultimately responsible for identifying and controlling risks. However, there are separate independent units at the BOD and management levels, which are responsible for managing and monitoring financial risk.

Board of Directors

The BOD is primarily responsible for the sound governance of the Bank, promotion of the highest standards of ethics and integrity. It approves and oversees the implementation of the Bank's strategic objectives and establishes and maintains sound risk management system for the whole institution. The BOD approves and reviews the institutional tolerance for risks, business strategies and risk philosophy.

Executive Committee (Excom)

The Excom is primarily responsible for the evaluation, approval and/or endorsement to the BOD for approval, credit and real and other properties acquired (ROPA) sales proposals from Management. The Excom also evaluates and recommends for BOD approval new, amended or enhanced Bank policies, products or services. The Excom may also act on such specific matters within the competence of the BOD, as may be delegated by majority vote of the BOD, except on certain matters expressly reserved by law for stockholders' and/or for the BOD' action.

Corporate Governance Committee

The Corporate Governance Committee is tasked to assist the BOD in fulfilling its corporate governance responsibilities and in providing oversight in the implementation of the Bank's Compliance System. It is responsible for ensuring due observance of corporate governance principles and guidelines across the Bank.

Related Party Transactions Committee (RPTCom)

The RPTCom assists the BOD in fulfilling its responsibility of ensuring that transactions with related parties are arm's length. It covers proper identification of related parties, recording and vetting of transactions with them including disclosures in financial reports, which must be consistent with relevant legal and regulatory requirements, and Bank policies.

Audit Committee
The Audit Committee represents and assists the BOD in its general oversight of the Bank's financial reporting policies, practices and control and internal and external audit functions. It oversees the relationship with the independent external auditors, receives information and provides advice, counsel and general direction, as it deems appropriate, to management and the auditors, taking into account the information it receives, discussions with the auditors, and the experience of the Committee's members in business, financial and accounting matters.

Board Risk Oversight Committee (BROC)
The BROC, a sub-committee of the BOD, oversees the Bank's risk management system. It has the power to approve procedures for implementing risk and capital management policies. The BROC shall assist the BOD with its oversight function to identify and evaluate risk exposures, develop risk management strategies, implement and periodically review the risk management framework and promote a risk management culture in the Bank.

Risk Management Division (RSK)
The RSK is responsible for the creation and oversight of the Bank's corporate risk policy. It is responsible for making recommendations to the BOD on corporate policies and guidelines for risk measurement, management and reporting. It also reviews the system of risk limits, compliance to said limits and validates the reports of the risk-taking personnel. The RSK reports to the BROC.

Senior Executive Team (SET)
The SET brings together the Chief Executive Officer, Group Heads and select Division Heads of the Bank to discuss and take up policy and strategic issues vital to the Bank's business, shareholders, employees and long term viability.

Asset Liability Management Committee (ALCO)
The ALCO is responsible for setting, developing and implementing the Bank's Asset Liability Management (ALM) and hedging policy. It also reviews the allocation of resources, pricing of products and foreign exchange position of the Bank.

Internal Capital Adequacy Assessment Process (ICAAP) Steering Committee (ICAAPcom)
The ICAAPcom is responsible for overseeing the Bank's ICAAP to ensure that mandated minimum capital requirements are met and that capital levels are sufficient to cover the Bank's risk exposures driven by its strategic plans.

Credit and Collections Committee (Crecom)
The Crecom plays a critical role in the credit approval process. It has the power to approve credit proposals of any sort, e.g. establishment, renewal, extension, increase/decrease, restructuring or settlement of a credit line or term loan (whether short or long) within its authority and to endorse those credit proposals which are beyond its authority to the Excom and/or the BOD. It has likewise the responsibility to ensure that credit accommodations to related parties falling below the materiality thresholds are granted on arms' length basis and are compliant with the set regulations. On top of these, the Crecom studies and deliberates proposals intended to adopt new credit policies or to amend existing ones or to offer new loan products or programs, prior to endorsement to the SET and Excom for approval.

Internal Audit Division
Internal Audit Division is an independent unit of the Bank that conducts objective assurance and consulting activities designed to add value and improve the Bank's operations. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to examine, evaluate and improve the effectiveness of risk management, internal control and governance processes of the Bank. The Internal Audit Division reports to the Audit Committee.

Legal Services Division
The primary functions of the Bank's Legal Services Division are composed of rendering legal advice and document review to ensure that relevant laws are disseminated and complied with, the Bank's interest is duly protected, and identified risks are either eliminated or minimized and imparted to responsible units of the Bank. The Division also handles cases filed for and against the Bank.

Compliance Division
The Compliance Division is responsible for coordinating, monitoring and facilitating the Bank's compliance with regulatory requirements. It is responsible for implementing the Bank's Compliance Program and the Money Laundering and Terrorist Financing Prevention Program .

Risk Measurement and Reporting Systems
The Bank's capital adequacy is determined by measuring credit, market and operational risk exposures using standardized or basic approaches as suggested by BSP. Risk exposures are measured both individually and in aggregate amounts.

Risk measurements are done by respective risk-taking personnel and groups but are independently validated, analyzed and reported by the RSK.

Market risks are measured by mark-to-market and Value-at-Risk (VAR) analyses on the overall exposure, on a portfolio level, and on each individual financial instrument. These exposures are also subjected to stress testing using a variety of historical and hypothetical scenarios.

Quality of credit risks are measured via risk classifications of accounts using ICRRS together with BSP risk classification of borrowing accounts. The Bank's front office recommends the credit risk rating of borrowing accounts and classifications and allowance for losses including changes thereon, when necessary. All risk information is processed, analyzed and consolidated for proper reporting to the BOD through the BROC and Audit Committee, as well as the SET and various management committees of the Bank.

Actual and estimated risk exposures/losses at Treasury, Corporate, Consumer Business and Credit Cards, Operations and Information Technology, Trust and Branches are consolidated for regular reporting. Reports include, among others, portfolio mix, liquidity and maturity matching, interest rate matching, trading gains and losses, sensitivity and back-testing results, top borrowers, non-performing assets and loans, industry exposures, large exposures, fines and penalties, employee fraud cases, service level of major information technology systems and ATMs.

Risk Mitigation
To mitigate market risk exposures, other financial instruments are used to manage exposures resulting from changes in foreign currency and interest rate risk. The Bank also observes limits on positions, losses, and market sensitivities to contain these risk exposures.

The Bank maintains a capital adequacy ratio (CAR) of ten percent (10.0%) or better at all times, for regulatory compliance purposes.

Risk Concentration

The Bank manages loan concentration by controlling its mix of counterparties or borrowers in accordance with conditions permitted by regulators. Borrowers that are considered large in size are regularly monitored and reported to the BROC. Also, the limits for exposure on specific economic activity groups are in place allowing the Bank to maintain a strategic breakdown of credit risk of the different segments. Having these controls in place allows the Bank to proactively monitor exposure status and act upon limit breaches whenever necessary.

Credit Risk

The Bank considers credit risk as the possibility of loss arising from the counterparty's or customer's inability or unwillingness to settle his/her obligations on time or in full as expected or previously contracted.

The Bank has in place a credit policy manual that defines all practices, policies and procedures regarding loan activities from identification of target markets, credit initiation, documentation and disbursement, loan administration, remedial management, and loan unit organization and staffing. Also, it has in place credit approval authorities and respective limits duly approved by the BOD.

The Bank's primary element of credit risk management is the detailed risk assessment of every credit exposure associated with the counterparty. Risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific type of underlying credit exposures as mandated by the circulars issued by BSP. The risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the monitoring procedure applied to the ongoing exposures.

There has been no material change on the Bank's exposure to credit risk or the manner in which it manages and measures the risk.

Derivative Financial Instruments

The Bank enters into currency forward contracts to manage its foreign exchange risks. Currency forwards are contractual agreements to buy or sell a specified currency at a specific price and date in the future. These derivatives are accounted for as non-hedges, with the fair value changes being reported in the statements of income for the period under "Foreign exchange gains - net" account. Credit risk, in respect of derivative financial instruments, is limited to those with positive fair values, which are reported as "Financial assets at FVPL" account in the statements of financial position.

Credit-related Commitment Risks

The Bank makes available to its customers guarantees which may require the Bank to make payments on their behalf. Such payments are collected from customers based on the terms of the letters of credit. They expose the Bank to risks similar to loans and these are mitigated by the same control processes and policies.

Credit Risk Exposures

The table below shows the Bank's maximum exposure on receivables from customers and sales contract receivables, net of unearned interest income and allowance for credit losses, before and after collateral to credit risk as at December 31, 2023 and 2022:

	December 31, 2023		December 31, 2022	
	Maximum Exposure		Maximum Exposure	
	Before Collateral	**After Financial Effect of Collateral or Credit Enhancement**	Before Collateral	After Financial Effect of Collateral or Credit Enhancement
Receivables from customers:				
Term loans	**P80,465,866,990**	**P72,479,226,327**	P85,853,607,701	P80,428,467,579
Agri-agra loans	**11,478,913,064**	**11,221,920,766**	2,508,188,756	2,422,186,023
Housing loans	**8,256,741,837**	**2,913,703,470**	8,050,636,414	2,971,809,373
Auto loans	**3,880,015,183**	**1,352,091,080**	3,248,375,385	1,559,773,409
Bills purchased, import bills and trust receipts	**959,027,056**	**959,027,056**	1,293,445,667	1,293,445,667
Direct advances	**453,960,006**	**1,644,710**	468,677,985	-
Others	**2,084,429,902**	**2,084,264,623**	1,874,451,667	1,874,451,667
	107,578,954,038	**91,011,878,032**	103,297,383,575	90,550,133,718
Sales contract receivables	**331,532,289**	**-**	325,652,637	-
	P107,910,486,327	**P91,011,878,032**	P103,623,036,212	P90,550,133,718

For the other financial assets, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2023 and 2022.

As at December 31, 2023 and 2022, fair value of collaterals held for loans and receivables amounted to P105.5 billion and P78.5 billion, respectively.

The table below shows the Bank's maximum exposures, net of unearned interest income, relating to financial assets carried under Stage 3 as at December 31, 2023 and 2022:

	December 31, 2023			
	Maximum Exposure			
	Before Collateral	**Financial Effect of Collateral or Credit Enhancement**	**After Financial Effect of Collateral or Credit Enhancement**	**Expected Credit Loss**
Receivables from customers:				
Term loans	**P443,679,697**	**P209,080,940**	**P234,598,757**	**P407,680,265**
Agri-agra loans	**185,707,842**	**6,232,700**	**179,475,142**	**185,707,842**
Housing loans	**543,308,772**	**477,362,994**	**65,945,778**	**172,339,550**
Auto loans	**350,702,965**	**341,795,414**	**8,907,551**	**232,543,078**
Bills purchased, import bills and trust receipts	**89,469,843**	**-**	**89,469,843**	**89,469,843**
Direct advances	**121,241,742**	**-**	**121,241,742**	**121,241,742**
Others	**253,848,484**	**183,895**	**253,664,589**	**186,626,571**
	1,987,959,345	**1,034,655,943**	**953,303,402**	**1,395,608,891**
Sales contract receivables	**100,875,387**	**47,192,830**	**53,682,557**	**54,151,486**
	P2,088,834,732	**P1,081,848,773**	**P1,006,985,959**	**P1,449,760,377**

	December 31, 2022			
	Maximum Exposure			
	Before Collateral	Financial Effect of Collateral or Credit Enhancement	After Financial Effect of Collateral or Credit Enhancement	Expected Credit Loss
Receivables from customers:				
Term loans	P470,461,970	P128,734,453	P341,727,517	P465,848,155
Agri-agra loans	17,663,370	14,362,060	3,301,310	17,663,370
Housing loans	746,112,810	593,276,797	152,836,013	144,275,644
Auto loans	409,506,693	395,813,302	13,693,391	341,667,642
Bills purchased, import bills and trust receipts	88,174,014	7,656,284	80,517,730	88,174,014
Direct advances	133,007,418	-	133,007,418	133,007,418
Others	684,459,703	183,895	684,275,808	612,085,091
	2,549,385,978	1,140,026,791	1,409,359,187	1,802,721,334
Sales contract receivables	115,356,863	61,674,306	53,682,557	54,296,300
	P2,664,742,841	P1,201,701,097	P1,463,041,744	P1,857,017,634

For the other financial assets carried under Stage 3, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2023 and 2022.

Collaterals and Other Credit Enhancements
The amount and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. Guidelines are implemented regarding the acceptability of types of collateral valuation and parameters.

The main types of collaterals obtained are as follows:

- For securities lending and reverse repurchase transactions: cash or securities;

- For commercial lending: mortgages over real properties, inventory and trade receivables and chattel mortgages; and

- For retail lending: mortgages over real properties and financed vehicles.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement, in the event that the value of the collateral depreciates due to various factors affecting the collateral.

It is the Bank’s policy to dispose repossessed properties in the most expeditious manner possible. Sale is facilitated by offering incentives to the Bank’s accredited brokers and/or formulating programs to attract buyers like offering fixed interest rates for an extended period of time and reduced rates for down payment as compared to prevailing market rates, among others.

Credit Quality Per Class of Financial Assets
The credit quality of financial assets is assessed and managed by the Bank using both external and internal credit ratings. The Bank's ICRRS is an established tool used to evaluate the Credit Risk associated with each borrower. The ICRRS assigns a score to each account based on a combination of quantitative and qualitative factors. The scores assigned to each obligor is equivalent to the risk associated to each individual. The scoring model is reviewed and validated by external parties regularly to ensure that the model is risk ranking properly. The risk rating is used as one of the measures of the Bank's risk appetite and as a factor in impairment calculation.

Based on the evaluation of the facility risk factor (FRF), the borrower risk rating (BRR) can be upgraded or downgraded to come up with the final credit risk rating (CRR). Such CRR is eventually used in the determination of the ECL.

BRR Disclosure

In compliance with BSP, the Bank implemented a credit risk classification that is compliant with global rating standards. The BRR is the evaluation of the credit worthiness of an existing or prospective borrower. The account is evaluated independent of any influence from any transactional factors. The BRR measures the borrower's credit quality by looking into three major aspects, namely, financial condition, industry analysis and management quality. The financial condition is assessed by the Bank through financial ratio analysis based on the latest available financial information of the borrower. The Bank performs industry analysis by reviewing actual and expected significant changes in the political, regulatory, and technological environment of the borrower or in its business activities. Management quality is assessed by reviewing the experience and quality of management and management's business strategy. In addition, management's business planning and management of banking relationship are also considered. Each section is given the following point allocation:

Section	Maximum Points	Section Rating
Financial Condition	240	40%
Industry Analysis	210	30%
Management Quality	150	30%
TOTAL	**600**	**100%**

There are several rating factors per section which can earn points depending on the four (4) quality judgment levels as follows:

Good	- 30 points
Satisfactory	- 20 points
Still acceptable	- 10 points
Poor	- 0 point

If there is no available information for a specific factor, a rating of "Poor" will be given.

The BRR is used to determine the credit quality of the Bank's corporate accounts. Loan accounts are classified according to a 1 -10 rating scale based on BRR results, as follows:

	Final Score	Equivalent Risk Rating	Calculated BRR
High Grade	>177	Excellent	1
	150 - 176	Strong	2
	123 - 149	Good	3
Standard Grade	96 - 122	Satisfactory	4
	68 - 95	Acceptable	5
	<68	Watchlist	6
Substandard Grade		Special Mention	7
		Substandard	8
Impaired		Substandard	8
		Doubtful	9
		Loss	10

High Grade or accounts with BRR of 1-3 are loans where the risk of the Bank are good to excellent in terms of risk quality and where the likelihood of the non-payment of obligation is less likely to happen.

Standard Grade or accounts with BRR of 4-6 are loans where the risk of the Bank ranges from satisfactory to acceptable with some form of weakness and where repayment capacity needs to be watched.

Substandard Grade or accounts with BRR of 7-8 are loans still in current status but observed to have potential weaknesses and require a closer observation than the accounts under the Standard rating since if weaknesses are uncorrected, repayment of the loan may be affected increasing the credit risk to the Bank.

Past due but not impaired are those accounts for which contractual principal and interest payments were past due but the Bank still believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank.

Impaired accounts are loans classified by the Bank as Substandard, Doubtful and Loss where there are experiences of past due accounts and there are well-defined weaknesses where collection or liquidation of obligation may be or is already jeopardized.

Consumer loans portfolio and credit card receivables undergo credit scoring, which results in applications either being referred for further manual evaluation or declined. Receivables considered outside the main business lines of the Bank are considered unrated accounts, which include benefit loans, accounts receivable, accrued interest receivables, sales contract receivables and returned checks and other cash items (RCOCI).

The BRR can be subject to an upgrade/downgrade on the basis of the following:

Group Affiliation:

(a) When a borrower belongs to a group of companies, it can be upgraded up to the rating of the parent company provided that the parent company has a BRR of 4 or better.

(b) If the BRR of the subsidiary is better than the parent, a downgrade can be considered especially if the parent has a BRR of 5 or worse.

(c) If the parent has a BRR of 5 or lower and the subsidiary was also rated 5 or worse, it can retain its own rating.

(d) If there are criteria such as the medium and long-term outlook, special risks that can grievously affect the company and outweigh the other criteria, a possible downgrade can be considered.

(e) Companies with rapid expansion without a strong driving force or only on account of a single customer are also potential for downgrading.

FRF:

(a) The FRF is an adjustment in the BRR that considers the transactional influence. It takes into account the quality of each facility. It is important to note that a Borrower can have only 1 BRR but several FRF for its multiple facilities. FRF evaluates the different security arrangements; the quantity and the quality of the collateral cover for each facility.

(b) Collaterals are assessed at the net realizable value in a liquidation scenario. In evaluating the worthiness of the collateral, the quality of the documentation and the possible subordination of the Bank's claim should also be considered.

The adjustment on the BRR based on the FRF will be based on the following:

Upgrade	The facility is cash collateralized or covered by marketable securities
	Full collateralization of other assets
	3rd party guarantees in accordance with the BRR of the guarantor an upgrade should be set to the BRR of the guarantor
Downgrade	Borrower is a potential candidate for a downgrade if the facility is clean or a major part of the facilities are pledged to other creditors

The following table shows the credit quality of loans and receivables, excluding unquoted debt securities (gross of allowance for credit losses and net of unearned interest income) as at December 31, 2023 and 2022 (amounts in thousands).

	December 31, 2023										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Neither past due nor impaired:											
High grade	**P28,024,849**	**P -**	**P339**	**P672,648**	**P442,426**	**P -**	**P -**	**P29,140,262**	**P -**	**P767,219**	**P29,907,481**
Standard grade	**52,189,800**	**-**	**26,565**	**288,581**	**9,996**	**11,489,607**	**-**	**64,004,549**	**-**	**413,571**	**64,418,120**
Subject to scoring and unrated	**-**	**7,739,774**	**3,696,107**	**-**	**-**	**-**	**1,985,562**	**13,421,443**	**282,515**	**459,924**	**14,163,882**
	80,214,649	**7,739,774**	**3,723,011**	**961,229**	**452,422**	**11,489,607**	**1,985,562**	**106,566,254**	**282,515**	**1,640,714**	**108,489,483**
Stage 2											
Neither past due nor impaired:											
Standard grade	**3,370**	**-**	**-**	**-**	**-**	**4,731**	**-**	**8,101**	**-**	**32**	**8,133**
Substandard grade	**535,173**	**-**	**-**	**-**	**1,674**	**-**	**-**	**536,847**	**-**	**3,384**	**540,231**
Past due but not impaired	**-**	**171,144**	**46,914**	**-**	**-**	**-**	**88,814**	**306,872**	**5,171**	**27,021**	**339,064**
Impaired	**-**	**-**	**-**	**-**	**-**	**1,500**	**-**	**1,500**	**-**	**1**	**1,501**
	538,543	**171,144**	**46,914**	**-**	**1,674**	**6,231**	**88,814**	**853,320**	**5,171**	**30,438**	**888,929**
Stage 3											
Impaired	**443,680**	**543,309**	**350,703**	**89,470**	**121,242**	**185,708**	**253,848**	**1,987,960**	**100,875**	**827,152**	**2,915,987**
	443,680	**543,309**	**350,703**	**89,470**	**121,242**	**185,708**	**253,848**	**1,987,960**	**100,875**	**827,152**	**2,915,987**
	P81,196,872	**P8,454,227**	**P4,120,628**	**P1,050,699**	**P575,338**	**P11,681,546**	**P2,328,224**	**P109,407,534**	**P388,561**	**P2,498,304**	**P112,294,399**

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

	December 31, 2022										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Neither past due nor impaired:											
High grade	P32,370,341	P -	P1,099	P979,105	P466,443	P346,095	P -	P34,163,083	P -	P719,404	P34,882,487
Standard grade	52,782,106	-	24,605	219,323	-	2,032,048	-	55,058,082	-	277,124	55,335,206
Subject to scoring and unrated	-	7,294,257	3,089,406	97,976	-	-	1,808,374	12,290,013	263,227	450,648	13,003,888
	85,152,447	7,294,257	3,115,110	1,296,404	466,443	2,378,143	1,808,374	101,511,178	263,227	1,447,176	103,221,581
Stage 2											
Neither past due nor impaired:											
Standard grade	329,863	-	-	-	-	-	-	329,863	-	4,196	334,059
Substandard grade	81,637	-	-	-	2,641	134,258	-	218,536	-	962	219,498
Past due but not impaired	-	182,084	127,407	-	-	-	65,034	374,525	4,038	27,341	405,904
Impaired	548,625	-	-	-	-	7,818	-	556,443	-	3,464	559,907
	960,125	182,084	127,407	-	2,641	142,076	65,034	1,479,367	4,038	35,963	1,519,368
Stage 3											
Impaired	470,462	746,113	409,507	88,174	133,007	17,663	684,460	2,549,386	115,357	854,554	3,519,297
	470,462	746,113	409,507	88,174	133,007	17,663	684,460	2,549,386	115,357	854,554	3,519,297
	P86,583,034	P8,222,454	P3,652,024	P1,384,578	P602,091	P2,537,882	P2,557,868	P105,539,931	P382,622	P2,337,693	P108,260,246

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

The following table shows the credit quality of loan commitment and financial guarantee contracts as at December 31, 2023 and 2022 (amounts in thousands).

	December 31, 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	**P391,758**	**P -**	**P -**	**P391,758**
Standard grade	**23,941,997**	**-**	**-**	**23,941,997**
Subject to scoring*	**3,600,977**	**-**	**-**	**3,600,977**
	P27,934,732	**P -**	**P -**	**P27,934,732**

**Comprised of unused credit card lines.*

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	P1,586,005	P -	P -	P1,586,005
Standard grade	21,522,712	-	-	21,522,712
Subject to scoring*	3,601,178	-	-	3,601,178
	P26,709,895	P -	P -	P26,709,895

**Comprised of unused credit card lines.*

Sensitivity of ECL to Future Economic Conditions

Set out below are the changes to the Bank's ECL in 2023 and 2022 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions.

	December 31, 2023			
	Change in MEF		Impact on ECL	
	Increase	Decrease	Impact of 1% Increase in MEF	Impact of 1% Decrease in MEF
Corporate MEF				
Lag 3 of the quarterly change of the Overseas Filipino personal remittance*				
Lag 12 of the annual change of the ratio: (Gross NPL/Total Loans)				
Philippine Treasury Reference Rates - PM (PDST-R2) Tenor-6M lagged over 12 months	**1%**	**1%**	**-0.05%**	**0.05%**
Lag 9 of the annual change of the VaPI of Key Manufacturing Indices by Industry (2018 values of growth rates)*				
Auto MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)				
Out-of-pattern variable of the month-end Philippine Stock Exchange Index lagged over 3 months*				
Exports of Goods and Services, current prices (in million Philippine Pesos) lagged over 6 months.*	**1%**	**1%**	**-0.02%**	**0.02%**
Philippine Treasury Reference Rates -PM (PDST-R2) Tenor-1M lagged over 11 Months.				
Housing MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)				
C Out-of-pattern variable of the Consumer Expectations Survey next 12 months (rate)*				
9-month lag of the annual change of the current prices of the Exports of Goods and Services*	**1%**	**1%**	**-0.001%**	**0.001%**
Foreign Exchange rate: Monthly averages of the Japanese Yen per Philippine Peso lagged over 3 months				
Salary MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)				
Out-of-pattern variable of the Consumer Expectations Survey next 12 months (rate)*	**1%**	**1%**	**-0.001%**	**0.001%**
12-month lag of the annual change of the Agriculture, Fishery and Forestry, current prices*				

**These variables have a negative relationship with default*

	December 31, 2022			
	Change in MEF		Impact on ECL	
	Increase	Decrease	Impact of 1% Increase in MEF	Impact of 1% Decrease in MEF
Corporate MEF				
Wholesale Price Index: Year-on-year change, lagged for 6 months				
2Y Interest Rates: Year-on-year (quarterly average) change, lagged for 9 months	1%	1%	5.18%	-3.62%
Stock Index (PSEI)*				
Auto MEF				
Stock Index (PSEI)*				
USD/PHP Exchange Rate: Lagged for 12 months	1%	1%	0.12%	-0.11%
Housing MEF				
USD/PHP Exchange Rate: Lagged for 9 months				
Consumer Price Index: Year-on-year change, lagged for 12 months	1%	1%	0.61%	-0.47%
Stock Index (PSEI)*				
Salary MEF				
Cash Remittances: Quarterly Average Ratio, lagged for 3 months*				
3Y Interest Rates: Lagged for 12 Months	1%	1%	-0.07%	0.07%
Stock Index (PSEI): Lagged for 3 months*				

**These variables have a negative relationship with default*

Loans with Renegotiated Terms

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Bank renegotiates receivable from customers in financial difficulties to maximize collection opportunities and minimize the risk of default. The carrying amounts per class of loans and receivables whose terms have been renegotiated are as follows:

	2023	2022
Term loans	**P796,146,616**	P774,912,259
Agri-Agra loans	**132,758,283**	159,738,819
Housing loans	**33,325,362**	47,758,907
Auto loans	**341,434**	617,479
Others	**82,594,485**	75,456,193
	P1,045,166,180	P1,058,483,657

For financial assets such as amounts due from BSP and other banks, interbank loans receivable and SPURA, financial assets at FVPL, financial assets at FVOCI, investment securities at amortized cost, and unquoted debt securities classified as loans, the credit quality is assessed using external credit rating (such as Standard & Poor's, Fitch, Moody's, etc.) of the respective counterparties considering relevant BSP mandates, as follows:

	December 31, 2023		
	AA - A	BBB and Below or Unrated	Total
Loans and advances to banks: **			
Due from BSP	**P24,275,195,629**	**P -**	**P24,275,195,629**
Due from other banks	**504,166,331**	**551,330,762**	**1,055,497,093**
Interbank loans receivable and SPURA	**20,114,496,080**	**-**	**20,114,496,080**
	44,893,858,040	**551,330,762**	**45,445,188,802**
Financial assets at FVPL:			
Private debt securities	**-**	**190,504,814**	**190,504,814**
Government securities held-for-trading	**96,719,128**	**83,883,498**	**180,602,626**
Derivative assets*	**-**	**27,685,000**	**27,685,000**
	96,719,128	**302,073,312**	**398,792,440**
Financial assets at FVOCI:			
Government securities**	**-**	**10,850,047,722**	**10,850,047,722**
Equity securities	**-**	**193,757,106**	**193,757,106**
	-	**11,043,804,828**	**11,043,804,828**
Investment securities at amortized cost:			
Government securities**	**-**	**50,311,649,891**	**50,311,649,891**
Private debt securities**	**-**	**2,165,662,758**	**2,165,662,758**
	-	**52,477,312,649**	**52,477,312,649**
Loans and receivables - gross:			
Unquoted debt securities***	**-**	**291,578,212**	**291,578,212**
	P44,990,577,168	**P64,666,099,763**	**P109,656,676,931**

**Unrated derivatives pertain to warrants*
***Accounts are neither past due nor impaired and carried at Stage 1 in 2023*
****Accounts are impaired and carried at Stage 3 in 2023*

	December 31, 2022		
	AA - A	BBB and Below or Unrated	Total
Loans and advances to banks: **			
Due from BSP	P23,678,666,441	P -	P23,678,666,441
Due from other banks	562,517,326	481,879,040	1,044,396,366
Interbank loans receivable and SPURA	18,381,225,853	-	18,381,225,853
	42,622,409,620	481,879,040	43,104,288,660
Financial assets at FVPL:			
Private debt securities	-	344,809,237	344,809,237
Government securities held-for-trading	-	7,258,797	7,258,797
Derivative assets*	-	28,933,434	28,933,434
	-	381,001,468	381,001,468
Financial assets at FVOCI:			
Government securities**	-	5,619,271,980	5,619,271,980
Equity securities	-	185,778,540	185,778,540
	-	5,805,050,520	5,805,050,520
Investment securities at amortized cost:			
Government securities**	5,573,045,203	43,877,476,613	49,450,521,816
Private debt securities**	1,131,471,358	1,632,844,687	2,764,316,045
	6,704,516,561	45,510,321,300	52,214,837,861
Loans and receivables - gross:			
Unquoted debt securities***	-	291,578,213	291,578,213
	P49,326,926,181	P52,469,830,541	P101,796,756,722

**Unrated derivatives pertain to warrants*
***Accounts are neither past due nor impaired and carried at Stage 1 in 2022*
****Accounts are impaired and carried at Stage 3 in 2022*

Aging Analysis of Past Due but not Impaired

The table below shows the aging of past due but not impaired loans and receivables as at December 31, 2023 and 2022.

	December 31, 2023			
	1 - 30 Days	**31 - 60 Days**	**61 - 90 Days**	**Total**
Receivable from customers (gross):				
Housing loans	**P21,420,752**	**P86,393,824**	**P63,329,410**	**P171,143,986**
Auto loans	**31,415**	**34,781,613**	**12,100,719**	**46,913,747**
Others	**44,493,128**	**40,144,605**	**4,176,718**	**88,814,451**
Sales contract receivables	**-**	**3,491,830**	**1,679,150**	**5,170,980**
Other receivables*	**300,075**	**20,832,308**	**5,555,872**	**26,688,255**
	P66,245,370	**P185,644,180**	**P86,841,869**	**P338,731,419**

** Comprised of accrued interest receivables, accounts receivables, and RCOCI*

	December 31, 2022			
	1 - 30 Days	31 - 60 Days	61 - 90 Days	Total
Receivable from customers (gross):				
Housing loans	P7,502,766	P117,540,395	P57,041,326	P182,084,487
Auto loans	304,994	82,232,033	44,870,404	127,407,431
Others	27,455,097	30,326,359	7,252,677	65,034,133
Sales contract receivables	-	1,077,598	2,959,821	4,037,419
Other receivables*	111,258	21,429,780	5,800,524	27,341,562
	P35,374,115	P252,606,165	P117,924,752	P405,905,032

** Comprised of accrued interest receivables, accounts receivables, and RCOCI*

Impairment Assessment

The Bank recognizes credit losses on financial assets at amortized cost and debt securities at FVOCI based on whether it has had a significant increase in credit risk since initial recognition. ECLs are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Liquidity Risk and Funding Management

Liquidity risk is the risk to the Bank's earnings and capital arising from its inability to meet funding requirements in a timely manner. To measure and monitor this risk, the Bank generates a report on future cash flows and liquidity on a daily basis. To ensure sufficient liquidity, the Bank has a set of internal limits incorporated in its annual budget that allocates a portion of its liabilities into cash, investment securities and other liquid assets. Concentration on a single funding source is also regularly monitored to control the Bank's reliance on a specific product or counterparty.

The Bank has available credit lines from various counterparties that it can utilize to meet sudden liquidity demands. It also maintains a portfolio of high quality liquid assets (HQLA) that can be converted to cash in a short period of time and with minimal loss incurred. This ensures compliance with Liquidity Coverage Ratio (LCR) as required by Basel III regulations. LCR checks if there is sufficient HQLA to offset short-term net outflows or short-term obligations under stressed conditions. The Bank also expands its sources of stable funds in order to support asset growth and meet the Net Stable Funding Ratio (NSFR) regulatory limit. NSFR ensures that the Bank is not overly reliant on short-term funding in funding its long-term assets. The Bank's liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating both to the market in general and to events specific to the Bank. A contingency funding plan, which covers quantitative and procedural measures, is in place and may be applied under different stress scenarios.

The Bank also manages its liquidity position through the monitoring of a Maximum Cumulative Outflow against a Board-approved limit. This process measures and estimates projected funding requirements that the Bank will need at specific time horizons.

There has been no material change to the Bank's exposure to liquidity and funding management risk or the manner in which it manages and measures the risk.

Analysis of Financial Liabilities by Remaining Contractual Maturities
The table below summarizes the maturity profile of the Bank's financial liabilities as at December 31, 2023 and 2022 based on contractual undiscounted repayment obligations (amounts in thousands).

	December 31, 2023					
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
Deposit liabilities:						
Demand	**P54,569,494**	**P -**	**P -**	**P -**	**P -**	**P54,569,494**
Savings	**41,230,115**	**66,890,815**	**1,734,937**	**-**	**-**	**109,855,867**
Time	**16,157**	**14,695,940**	**1,575,014**	**446,877**	**-**	**16,733,988**
Long-term negotiable certificates	**-**	**55,952**	**170,372**	**5,190,990**	**-**	**5,417,314**
Financial liabilities at FVPL	**-**	**6,202**	**-**	**-**	**-**	**6,202**
Bonds payable	**-**	**93,196**	**7,625,657**	**-**	**-**	**7,718,853**
Manager's checks	**-**	**1,846,500**	**-**	**-**	**-**	**1,846,500**
Accrued interest and other expenses*	**-**	**1,047,574**	**-**	**-**	**-**	**1,047,574**
Lease liabilities	**-**	**38,696**	**172,936**	**422,940**	**35,149**	**669,721**
Other liabilities**	**-**	**951,269**	**2,039,295**	**-**	**290,118**	**3,280,682**
Total Undiscounted Financial Liabilities	**P95,815,766**	**P85,626,144**	**P13,318,211**	**P6,060,807**	**P325,267**	**P201,146,195**

**amounts exclude accruals of employee and other benefits, taxes payable and rent*
***amounts exclude withholding tax payable, retirement liability and ECL on off-balance sheet exposures*

	December 31, 2022					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
Deposit liabilities:						
Demand	P51,792,970	P -	P -	P -	P -	P51,792,970
Savings	44,346,299	55,343,320	2,080,915	-	-	101,770,534
Time	18,985	15,249,042	1,777,238	847,661	-	17,892,926
Long-term negotiable certificates	-	55,952	170,372	5,417,314	-	5,643,638
Financial liabilities at FVPL	-	283	-	-	-	283
Bonds payable	-	93,196	283,777	7,718,853	-	8,095,826
Manager's checks	-	661,454	-	-	-	661,454
Accrued interest and other expenses*	-	791,326	-	-	-	791,326
Lease liabilities	-	37,862	159,856	315,455	25,397	538,570
Other liabilities**	-	1,251,721	1,760,517	-	282,393	3,294,631
Total Undiscounted Financial Liabilities	P96,158,254	P73,484,156	P6,232,675	P14,299,283	P307,790	P190,482,158

**amounts exclude accruals of employee and other benefits, taxes payable and rent*
***amounts exclude withholding tax payable, retirement liability and ECL on off-balance sheet exposures*

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments (amounts in thousands):

	December 31, 2023				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Commitments	**P3,600,977**	**P5,204,466**	**P6,350,066**	**P12,779,223**	**P27,934,732**
Contingent liabilities	**66,885,084**	**5,371,330**	**2,192,872**	**3,323,586**	**77,772,872**
	P70,486,061	**P10,575,796**	**P8,542,938**	**P16,102,809**	**P105,707,604**

	December 31, 2022				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Commitments	P3,601,178	P12,598,713	P8,447,129	P2,062,875	P26,709,895
Contingent liabilities	67,818,593	2,192,776	3,343,696	3,054,409	76,409,474
	P71,419,771	P14,791,489	P11,790,825	P 5,117,284	P103,119,369

Interest Rate Risk in the Banking Book

The loans provided by the Bank to its borrowers are mostly funded by the deposits of its branch and corporate customers. The difference in the interest revenues from loans and the interest expense in servicing deposits provide the bulk of the Bank's Net Interest Income (NII). Aside from loans, interest revenue is also generated from holdings in debt securities, repurchase agreements (repo), and other interest-bearing assets. Occasionally, the Bank taps interbank loans and other sources of funding to supplement deposits, which are subject to additional interest expense.

The Bank utilizes Funds Transfer Pricing (FTP) as a mechanism to charge the asset businesses for funding (e.g., term loans, housing loans) and to compensate fund raisers (e.g., branch deposits). FTP helps units evaluate profitability and calculate returns upon deal origination. Furthermore, the FTP framework insulates them from interest rate risk. The Central Funding Unit (CFU), under the Treasury Management Group, manages the Bank's overall IRRBB. CFU is the first line of defense for both IRRBB and Liquidity Risk. While the Bank does not have intentions to hedge IRRBB via interest rate swaps in the short-term, it actively manages IRRBB by growing its sources of stable funds to match long-term assets.

The FTP policy is properly documented and is transparent to all parties. The FTP interest rates are anchored by widely-used and market-driven benchmark rates such as BVAL and BSP interest rate corridor rates for Peso; USD Secured Overnight Financing Rates and USD-denominated bonds issued by the Philippines for USD. Trends, forecasts, and adjustments to the FTP are discussed and approved in the regular ALCO meeting.

The NII, and ultimately earnings and capital, is vulnerable to adverse fluctuations in interest rates. The Bank also measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of asset-liability gap analysis on a monthly basis. This analysis focuses on the repricing profile of its rate sensitive assets and liabilities, and the impact of interest rate movements on the Bank's accrual earnings. The interest rate repricing gap report assigns all assets and liabilities into various time buckets according to the remaining days to maturity for fixed-rate items, remaining days to next re-pricing for floating-rate items, or based on behavioral assumptions, if more applicable.

The difference between the total of the repricing (interest rate-sensitive) assets and repricing (interest rate-sensitive) liabilities gives an indication of the Bank's repricing risk exposure. A positive gap means more assets mature or have to be repriced than liabilities. In this case, the Bank is said to be "asset sensitive" in that time bucket and it benefits from an increase of interest rates as the assets will be repriced faster than liabilities.

A bank with a negative gap is considered “liability sensitive” since it has more liabilities to be repriced during such period than assets. It is negatively affected by a hike in interest rates. An example would be a bank that uses short-term deposits to fund long-term loans at fixed rates. It may encounter a decline in its net interest income if the interest rates increase since the cost of funds (the deposit rates) will increase while the earnings from loans remain fixed.

RSK monitors the mismatches in the repricing of its assets and liabilities through the interest rate gap reports presented to ALCO and BROC on a monthly basis. To ensure that the Bank’s net interest income is preserved, the Bank has set a limit for the maximum repricing gap, either positive or negative, for tenors up to 1 year. These limits are reviewed annually and form part of the Bank’s risk appetite statements.

Non-maturing fixed-rate deposits or current-savings accounts (CASA) are split into three classifications: 1) stable and core deposits; 2) stable-but-non-core deposits and; 3) non-stable deposits. The volatile or non-stable portion of the non-maturing deposits/CASA is slotted in the shortest time-bucket (i.e., less than one month). Stable-but-non-core portion is slotted based on an assumed repricing approximation. Stable-and-core portion is slotted in the 3 to 5-year bucket. The IRRBB model captures the possibility of borrowers prepaying their loans and time deposit customers pre-terminating their investments. The interest rate scenario of the model simulates the impact of interest rate movements on existing loans and deposits. More (less) prepayment is expected if interest rates decline (increase), while more (less) pre-termination is expected if interest rates increase (less).

Earnings at risk is simulated on a monthly basis and subject to a limit approved by the Board. The report is also accompanied by stress testing with scenarios such as: 1) standard parallel yield curve shifts; 2) BSP-prescribed yield curve shifts; 3) steepening and inversion of the curves; and 4) timing mismatch in assets and liabilities repricing. Internal Audit conducts a regular validation of the IRRBB models and parameters in addition to the risk-based full scope audit of RSK, which includes a review and evaluation of the processes and controls, including governance and risk management activities.

The table below sets forth the Bank’s interest rate repricing gap as at December 31, 2023 and 2022 (amounts in millions).

	December 31, 2023								
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	Total
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P3,501	P3,501
Due from BSP	8,473	-	-	-	-	-	-	15,799	24,272
Due from other banks	-	-	-	-	-	-	-	3,068	3,068
Interbank loans receivable	17,973	128	-	-	-	-	-	(2)	18,099
Financial assets at FVPL	-	-	-	-	-	-	-	399	399
Financial assets at FVOCI	243	353	1,239	2,598	6,923	-	-	(468)	10,888
Investment securities at AC	12,835	3,728	682	-	14,720	10,705	10,240	(343)	52,567
Loans - net	33,245	26,033	7,569	7,929	12,790	17,675	24	2,314	107,579
Other resources	236	33	-	-	-	-	-	9,632	9,901
	P73,005	P30,275	P9,490	P10,527	P34,433	P28,380	P10,264	P33,900	P230,274
Liabilities and Equity									
Deposit liabilities:	P71,562	P17,602	P16,618	P908	P5,343	P73,872	P -	P -	P185,905
Demand deposits	6,423	-	6,990	-	-	41,157	-	-	54,570
Savings deposits	1,037	-	7,563	-	-	32,619	-	-	41,219
Time deposits	64,102	17,602	2,065	908	314	96	-	-	85,087
Long-term negotiable certificates	-	-	-	-	5,029	-	-	-	5,029
Bonds payable	-	-	-	7,478	-	-	-	-	7,478
Other liabilities	-	-	-	-	-	-	-	7,420	7,420
	71,562	17,602	16,618	8,386	5,343	73,872	-	7,420	200,803
Capital funds	-	-	-	-	-	-	-	29,471	29,471
	P71,562	P17,602	P16,618	P8,386	P5,343	P73,872	P -	P36,891	P230,274
Total periodic gap	P1,443	P12,673	(P7,128)	P2,141	P29,090	(P45,492)	P10,264	(P2,991)	P -

	December 31, 2022								
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	Total
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P2,735	P2,735
Due from BSP	6,096	-	-	-	-	-	-	17,579	23,675
Due from other banks	-	-	-	-	-	-	-	4,761	4,761
Interbank loans receivable	14,664	-	-	-	-	-	-	(2)	14,662
Financial assets at FVPL	-	-	-	-	-	-	-	381	381
Financial assets at FVOCI	369	430	1,998	2,250	1,355	-	-	(783)	5,619
Investment securities at AC	6,697	2,040	3,051	3,616	9,625	15,299	12,392	(346)	52,374
Loans - net	34,468	15,534	8,479	11,592	13,484	12,281	4,732	2,727	103,297
Other resources	247	5	-	-	-	-	-	8,687	8,939
	P62,541	P18,009	P13,528	P17,458	P24,464	P27,580	P17,124	P35,739	P216,443
Liabilities and Equity									
Deposit liabilities:	P69,553	P14,024	P18,688	P1,289	P5,648	P67,065	P -	P -	P176,267
Demand deposits	7,521	-	7,025	-	-	37,247	-	-	51,793
Savings deposits	5,194	-	9,475	-	-	29,674	-	-	44,343
Time deposits	56,838	14,024	2,188	1,289	619	144	-	-	75,102
Long-term negotiable certificates	-	-	-	-	5,029	-	-	-	5,029
Bonds payable	-	-	-	-	7,442	-	-	-	7,442
Other liabilities	-	-	-	-	-	-	-	5,930	5,930
	69,553	14,024	18,688	1,289	13,090	67,065	-	5,930	189,639
Capital funds	-	-	-	-	-	-	-	26,804	26,804
	P69,553	P14,024	P18,688	P1,289	P13,090	P67,065	P -	P32,734	P216,443
Total periodic gap	(P7,012)	P3,985	(P5,160)	P16,169	P11,374	(P39,485)	P17,124	P3,005	P -

The Bank manages interest rate risk separately for its RBU and FCDU books. The interest rate risk of the RBU of the Bank from its accounts is managed in PHP while the FCDU of the Bank, regardless of original currency, is managed in USD. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's results of operations and OCI:

	December 31, 2023			
Currency	**Changes in Interest Rates (In Basis Points)**	**Sensitivity of Net Interest Income (In Millions)**	**Sensitivity of Trading Gains - net on FA at FVPL (In Millions)**	**Sensitivity of OCI (In Millions)**
PHP	**+200**	**P147.58**	**(P5.67)**	**(P960.56)**
USD	**+100**	**(0.35)**	**(9.43)**	**(79.95)**
PHP	**-200**	**(147.58)**	**5.67**	**960.56**
USD	**-100**	**0.35**	**9.43**	**79.95**

	December 31, 2022			
Currency	Changes in Interest Rates (In Basis Points)	Sensitivity of Net Interest Income (In Millions)	Sensitivity of Trading Gains - net on FA at FVPL (In Millions)	Sensitivity of OCI (In Millions)
PHP	+200	P201.26	(P0.25)	(P490.44)
USD	+100	1.76	(3.38)	(73.93)
PHP	-200	(201.26)	0.25	490.44
USD	-100	(1.76)	3.38	73.93

The sensitivity of the results of operations is measured as the effect of the assumed changes in interest rates on the net interest income for one year based on the floating rate of financial assets and liabilities held as at December 31, 2023 and 2022.

The sensitivity of "Trading and investment securities gains (losses) - net" and OCI is calculated by revaluing fixed-rate financial assets at FVPL and debt securities at FVOCI, respectively, as at December 31, 2023 and 2022. The total sensitivity of OCI is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

Market Risk

Market risk arises from the potential decline in earnings and capital due to adverse changes in market conditions and the underlying risk factors, which in turn affect the value and future cash flows of financial instruments, products, and transactions. The Bank is primarily exposed to two sources of market risk, namely: 1) market price risk in the trading book; and 2) foreign exchange risk from open foreign currency exposures. The Bank also has equity-related holdings which is a source of equity price risk, although deemed as minimal compared to the first two.

There has been no material change to the Bank's exposure to market risk or the manner in which it manages and measures the risk.

Market Price Risk in the Trading Book

The market price of financial instruments and transactions in the trading book may change unfavorably as a result of movements in interest rates, foreign exchange rates, credit spreads, and other risk factors. The Bank employs an internally developed VAR model, along with other sensitivity metrics, to measure and monitor the probable deterioration in the market value of its trading portfolio. The Bank's RSK simulates the trading book's VAR on a daily basis and the results are compared against Board-approved limits. In addition to the limit on VAR, the trading portfolio is also subject to limits on aggregate exposures, sensitivity metrics, monthly and yearly losses.

Value-at-Risk Methodology

VAR serves as the Bank's key metric in the measurement of risk arising from market price changes of financial assets and foreign currency exposures. Given data for the market risk factors over a 1-year period (260 business days), VAR is the maximum probable loss that may be incurred from positions exposed to market risk. The maximum probable loss is calculated from simulations of daily profit and losses assuming that historical movements in market risk factors will recur, subject to a 99% confidence level and a 1-day holding period.

The Bank's VAR methodology is based on the widely used historical simulation method but with a modification on the usual assumption of equal probabilities in the simulation data points. Profit and loss simulations derived from older data are given less importance by assigning them with progressively lower probabilities of occurrence when used in the calculation of the maximum probable loss.

The table below summarizes the results of the Bank's VAR calculations as at December 31, 2023 and 2022.

	FX Exposures	HFT Securities	FVOCI Securities	Aggregate VAR
2023				
As at December 31, 2023	**P1,950,756**	**P1,471,726**	**P50,010,354**	**P53,432,836**
Average	**1,618,958**	**2,794,146**	**51,444,695**	**54,952,559**
Highest	**7,728,518**	**9,254,465**	**67,024,351**	**69,553,970**
Lowest	**268,678**	**78,190**	**39,722,601**	**41,246,030**
2022				
As at December 31, 2022	944,454	84,887	55,262,009	55,452,704
Average	2,381,036	1,147,342	48,111,020	48,504,463
Highest	12,183,300	2,585,544	73,264,380	72,311,569
Lowest	140,229	83,357	37,230,085	36,648,881

Currency Risk

The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Bank believes that its profile of foreign currency exposure based on its assets and liabilities is within conservative limits for a financial institution engaged in a type of business similar to that of the Bank.

Foreign currency deposits are generally used to fund the foreign currency-denominated loan and investment portfolios in the FCDU. Banks are required by BSP to match the foreign currency liabilities held in the FCDU with foreign currency assets. In addition, BSP requires a 30.0% liquidity reserve on all foreign currency liabilities held in the FCDU.

Similar to market price risk in the trading book, the Bank employs limits and a VAR model to manage the risk that possible interest or currency movements pose. Such limits are prudently set and the position status is monitored on a daily basis.

The table below summarizes the Bank's exposure to foreign exchange risk as at December 31, 2023 and 2022. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency (based on USD equivalents in thousands):

	December 31, 2023			
	USD	**Euro**	**Others**	**Total**
Assets				
Due from other banks	**$1,065**	**$1,188**	**$822**	**$3,075**
Interbank loans	**3,550**	**-**	**-**	**3,550**
Financial assets at FVPL	**-**	**1,747**	**-**	**1,747**
Loans and receivables	**1,950**	**20**	**-**	**1,970**
Total Assets	**6,565**	**2,955**	**822**	**10,342**
Liabilities				
Deposit liabilities	**-**	**736**	**2**	**738**
Other liabilities	**1,028**	**73**	**2**	**1,103**
Total Liabilities	**1,028**	**809**	**4**	**1,841**
Net Exposure	**$5,537**	**$2,146**	**$818**	**$8,501**
Amount in PHP	**P306,584**	**P118,824**	**P45,293**	**P470,701**

	December 31, 2022			
	USD	Euro	Others	Total
Assets				
Due from other banks	$614	$530	$388	$1,532
Interbank loans	9,449	-	-	9,449
Loans and receivables	1,764	-	-	1,764
Total Assets	11,827	530	388	12,745
Liabilities				
Deposit liabilities	-	1,260	-	1,260
Other liabilities	1,573	55	9	1,637
Total Liabilities	1,573	1,315	9	2,897
Net Exposure	$10,254	($785)	$379	$9,848
Amount in PHP	P571,712	(P43,768)	P21,131	P549,075

The table below indicates the currencies which the Bank has significant exposure to as at December 31, 2023 and 2022 based on its foreign currency-denominated assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of other currency rates against the PHP, with all other variables held constant on the results of operations (due to the fair value of currency sensitive monetary assets and liabilities) and OCI. A negative amount in the table reflects a potential net reduction of net income or OCI while positive amount reflects a net potential increase. Changes in currency rates are based on the historical movements of each currency for the same period:

	Philippine Peso Appreciates by	**Effect on Profit before Tax (In Millions)**	**Philippine Peso Depreciates by**	**Effect on Profit before Tax (In Millions)**
December 31, 2023				
Currency:				
USD	**P1.00**	**(P5.54)**	**(P1.00)**	**P5.54**
Euro	**0.50**	**(1.07)**	**(0.50)**	**1.07**
Others	**0.40**	**(0.33)**	**(0.40)**	**0.33**

	Philippine Peso Appreciates by	Effect on Profit before Tax (In Millions)	Philippine Peso Depreciates by	Effect on Profit before Tax (In Millions)
December 31, 2022				
Currency:				
USD	P1.00	(P10.25)	(P1.00)	P10.25
Euro	0.50	0.39	(0.50)	(0.39)
Others	0.40	(0.15)	(0.40)	0.15

Given the nature and amount of the Bank's equity investments portfolio in 2023 and 2022, management believes the Bank's exposure to currency risk is considered minimal.

Equity Price Risk
Given the nature and amount of the Bank's equity investments portfolio in 2023 and 2022, management believes the Bank's exposure to equity price risk is considered minimal.

6. Categories and Fair Value Measurement

The methods and assumptions used by the Bank in estimating the fair values of financial and non-financial assets and liabilities are as follows:

COCI, Due from BSP and Other Banks and Interbank Loans Receivable and SPURA - Fair values approximate carrying amounts given the short-term nature of the instruments.

Debt Securities (Financial Assets at FVPL, Financial Assets at FVOCI, and Investment Securities at Amortized Cost) - Fair values are generally based on quoted market prices. If not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using discounted cash flow methodology.

Equity Securities (Financial Assets at FVOCI) - Fair values are determined based on market prices quoted in an established exchange, or on published quotes by accredited brokers.

Derivative Instruments (Financial Assets and Financial Liabilities at FVPL) - Fair values are determined based on published quotes or price valuations provided by counterparties or calculations using market-accepted valuation techniques.

Loans and Receivables - The estimated fair values of long-term receivables from customers and sales contract receivables are equal to the estimated future cash flows expected to be received which are discounted using current market rates (i.e., BVAL and USD Secured Overnight Financing Rates). Fair value of short-term receivable from customers, sales contract receivables, accounts receivables, accrued interest receivables, and RCOCI approximates carrying amounts given the short-term nature of the accounts.

Investment Properties - Fair value is determined based on valuations performed by external and in-house appraisers using the market data approach. Valuations are derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining the fair values include the following:

Location	Location of comparative properties whether on a main road or secondary road. Road width could also be a consideration if data is available. As a rule, properties along a main road are superior to properties along a secondary road.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable confirms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time, in which case, the current date is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Deposit Liabilities - Fair values of long-term time deposits are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate (i.e., BVAL and USD Secured Overnight Financing Rates) and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term time deposits approximate fair value. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable.

Bonds and Bills Payable - For long-term bonds and bills payable, fair values are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate (i.e., BVAL and USD Secured Overnight Financing Rate and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term bonds and bills payable approximate fair value.

Manager's Checks, Accrued Interest and Other Expenses and Other Liabilities (excluding non-financial liabilities) - Carrying amounts approximate fair values due to the short-term nature of the accounts. Due to preferred shareholders is determined to be long term in nature due to a pending dispute which affects maturity. Fair value cannot be estimated reliably due to lack of available supportable data.

The following table provides the fair value hierarchy of the Bank's assets and liabilities measured at fair value and those for which fair values should be disclosed (amounts in thousands):

	December 31, 2023				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL:					
Government securities held for trading	**P180,603**	**P61,208**	**P119,395**	**P -**	**P180,603**
Private debt securities	**190,505**	**-**	**-**	**190,505**	**190,505**
Derivative assets	**27,685**	**-**	**27,685**	**-**	**27,685**
Financial assets at FVOCI:					
Government securities	**10,850,048**	**4,088,139**	**6,761,909**	**-**	**10,850,048**
Equity securities	**193,757**	**155,300**	**-**	**38,457**	**193,757**
	P11,442,598	**P4,304,647**	**P6,908,989**	**P228,962**	**P11,442,598**
Liabilities Measured at Fair Value					
Financial Liabilities					
Derivative liabilities	**P6,202**	**P -**	**P6,202**	**P -**	**P6,202**
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost:					
Government securities	**P50,305,668**	**P20,087,916**	**P28,833,159**	**P -**	**P48,921,075**
Private debt securities	**2,165,435**	**343,612**	**1,629,236**	**-**	**1,972,848**
Loans and receivables:					
Receivables from customers	**107,624,342**	**-**	**-**	**110,630,437**	**110,630,437**
Less unearned interest	**45,388**	**-**	**-**	**45,388**	**45,388**
	107,578,954	**-**	**-**	**110,585,049**	**110,585,049**
Sales contract receivables	**331,532**	**-**	**-**	**345,450**	**345,450**
	160,381,589	**20,431,528**	**30,462,395**	**110,930,499**	**161,824,422**
Non-financial Assets					
Investment properties	**3,676,126**	**-**	**-**	**10,514,333**	**10,514,333**
	P164,057,715	**P20,431,528**	**P30,462,395**	**P121,444,832**	**P172,338,755**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities:					
Time	**P16,638,541**	**P -**	**P16,609,959**	**P -**	**P16,609,959**
Long-term negotiable certificates	**5,029,420**	**-**	**4,909,268**	**-**	**4,909,268**
Bonds payable	**7,478,265**	**-**	**7,500,000**	**-**	**7,500,000**
	P29,146,226	**P -**	**P29,019,227**	**P -**	**P29,019,227**

	December 31, 2022				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL:					
Government securities held for trading	P7,259	P3,569	P3,690	P -	P7,259
Private debt securities	344,809	-	-	344,809	344,809
Derivative assets	28,933	-	28,933	-	28,933
Financial assets at FVOCI:					
Government securities	5,619,272	511,282	5,107,990	-	5,619,272
Equity securities	185,779	147,253	-	38,526	185,779
	P6,186,052	P662,104	P5,140,613	P383,335	P6,186,052
Liabilities Measured at Fair Value					
Financial Liabilities					
Derivative liabilities	P283	P -	P283	P -	P283
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost:					
Government securities	P49,444,750	P12,626,246	P34,050,746	P -	P46,676,992
Private debt securities	2,764,019	375,615	2,035,004	-	2,410,619
Loans and receivables:					
Receivables from customers	103,340,539	-	-	102,468,646	102,468,646
Less unearned interest	43,155	-	-	43,155	43,155
	103,297,384	-	-	102,425,491	102,425,491
Sales contract receivables	325,653	-	-	380,020	380,020
	155,831,806	13,001,861	36,085,750	102,805,511	151,893,122
Non-financial Assets					
Investment properties	3,399,987	-	-	9,969,666	9,969,666
	P159,231,793	P13,001,861	P36,085,750	P112,775,177	P161,862,788
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities:					
Time	P17,793,298	P -	P17,735,829	P -	P17,735,829
Long-term negotiable certificates	5,029,420	-	4,787,902	-	4,787,902
Bonds payable	7,442,251	-	7,386,764	-	7,386,764
	P30,264,969	P -	P29,910,495	P -	P29,910,495

In 2023 and 2022, due to changes in market conditions for certain government securities measured at FVOCI, quoted prices in active markets were not available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities at FVOCI, with carrying amounts of P327.4 million and P306.1 million in 2023 and 2022, respectively, were transferred from Level 1 to Level 2 of the fair value hierarchy.

In 2023, securities at FVOCI, with carrying amount of P394.3 million were transferred from Level 2 to Level 1 of the fair value hierarchy since quoted prices in active markets were already available. There have been no transfers from Level 2 to Level 1 of the fair value hierarchy in 2022.

In 2023 and 2022, there have been no transfers into and out of Level 3 of the fair value hierarchy.

An instrument in its entirety is classified as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived. The fair value of the Level 3 instruments is based on cost which approximates its fair value.

The carrying values of the financial assets and liabilities not included in the fair value hierarchy table shown above approximate their respective fair values as at December 31, 2023 and 2022.

7. Segment Reporting

The Bank's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit. Operating segments are reported in accordance with internal reporting to SET who is responsible for allocating resources to the segments and assessing their performance. Segment performance is evaluated based on net income before provision/reversal of credit and impairment losses, share in net loss of an associate, and income tax expense. The Bank's business segments follow:

Treasury Management Group - principally provides money market, trading and treasury services, as well as management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks.

Corporate Banking Group - principally handles loans and other credit facilities for corporate institutional, and middle market clients.

Branch Banking Group - principally supervises customers' deposits and offers standard customer transactional services through the branch network.

Consumer Group - principally manages home, automobile, and salary loans for individual customers.

Others - includes but not limited to Credit Cards, Transaction Banking, Investment Banking, Trust, and Acquired Assets. Other operations of the Bank also include operations and financial control groups.

Segment assets and liabilities comprise operating assets and liabilities, including borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment. Transactions between the business segments are carried out at arm's length. The Bank uses an Internal Funds Transfer Pricing rate to allocate the cost of funds or to recognize internal revenue for deposit takers. The Bank has no significant customers which contributes 10.00% or more of the Bank's revenue net of interest expense. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The segment information of the Bank for the years ended December 31, 2023, 2022 and 2021 for statements of income items, and as at December 31, 2023 and December 31, 2022 for statements of financial position items follow (amounts in millions):

	December 31, 2023					
	Treasury Management Group	**Corporate Banking Group**	**Branch Banking Group**	**Consumer Group**	**Others**	**Total**
Statement of Income						
Net interest income:						
Third party	**P2,908**	**P7,049**	**(P2,707)**	**P958**	**P88**	**P8,296**
Intersegment	**(2,269)**	**(5,723)**	**7,021**	**(662)**	**1,633**	**-**
Net interest income	**639**	**1,326**	**4,314**	**296**	**1,721**	**8,296**
Non-interest income	**140**	**73**	**96**	**52**	**1,318**	**1,679**
Total revenues	**779**	**1,399**	**4,410**	**348**	**3,039**	**9,975**
Other expenses	**357**	**364**	**2,171**	**184**	**3,083**	**6,159**
Income (losses) before provision for credit losses and income tax expense	**P422**	**P1,035**	**P2,239**	**P164**	**(P44)**	**P3,816**
Provision for credit and impairment losses						**P79**
Share in net loss of an associate						**1**
Income tax expense						**934**
Net income						**P2,802**
Other Segment Information						
Capital expenditures	**P6**	**P8**	**P156**	**P3**	**P226**	**P399**
Depreciation and amortization	**P4**	**P4**	**P59**	**P7**	**P415**	**P489**

	December 31, 2023					
	Treasury Management Group	**Corporate Banking Group**	**Branch Banking Group**	**Consumer Group**	**Others**	**Total**
Statement of Financial Position						
Total assets	**P89,494**	**P96,924**	**P23,438**	**P13,022**	**P8,790**	**P231,668**
Total liabilities	**6,344**	**48**	**187,210**	**134**	**7,081**	**200,817**

	December 31, 2022					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P2,171	P4,448	(P880)	P896	P47	P6,682
Intersegment	(1,602)	(3,157)	5,306	(542)	(5)	-
Net interest income	569	1,291	4,426	354	42	6,682
Non-interest income	116	154	89	40	1,035	1,434
Total revenues	685	1,445	4,515	394	1,077	8,116
Other expenses	222	258	2,098	157	2,749	5,484
Income (losses) before provision for credit losses and income tax expense	P463	P1,187	P2,417	P237	(P1,672)	P2,632
Provision for credit and impairment losses						P166
Share in net loss of an associate						-
Income tax expense						666
Net income						P1,800
Other Segment Information						
Capital expenditures	P6	P6	P57	P7	P86	P162
Depreciation and amortization	P4	P3	P53	P7	P365	P432

	December 31, 2022					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Financial Position						
Total assets	P80,035	P93,631	P23,810	P12,063	P7,979	P217,518
Total liabilities	9,995	35	172,912	116	6,429	189,487

	December 31, 2021					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P1,614	P3,328	(P560)	P896	P120	P5,398
Intersegment	(1,256)	(1,321)	3,879	(629)	(673)	-
Net interest income	358	2,007	3,319	267	(553)	5,398
Non-interest income	(29)	40	83	31	702	827
Total revenues	329	2,047	3,402	298	149	6,225
Other expenses	147	199	2,040	146	2,496	5,028
Income (losses) before provision for credit losses and income tax expense	P182	P1,848	P1,362	P152	(P2,347)	P1,197
Reversal of credit and impairment losses						(P635)
Share in net loss of an associate						1
Income tax expense						624
Net income						P1,207
Other Segment Information						
Capital expenditures	P1	P7	P52	P2	P53	P115
Depreciation and amortization	P4	P3	P63	P7	P386	P463

Non-Interest income consists of trading and investment securities gains (losses), service charges, fees and commissions, foreign exchange gains, gain on foreclosure, and sale of property and equipment and foreclosed assets and miscellaneous income.

Other expenses consist of compensation and fringe benefits, taxes and licenses, rent and utilities, depreciation and amortization, insurance, service fees and commissions, subscription fees, entertainment and recreation, management and professional fees, amortization of software costs and miscellaneous expense.

8. Interbank Loans Receivable and Securities Purchased under Resale Agreements

This account consists of:

	Note	**2023**	2022
SPURA		**P17,973,348,893**	P14,538,857,444
Interbank loans receivable		**2,141,147,187**	3,842,368,409
		20,114,496,080	18,381,225,853
Less allowance for credit losses	*17*	**2,715,457**	2,481,466
		P20,111,780,623	P18,378,744,387

SPURA represents overnight lending placements with the BSP where the underlying securities cannot be sold or re-pledged to parties other than the BSP.

Interbank loans receivable consists of short-term loans granted to other banks.

Interest income on SPURA and interbank loans receivable follows:

	2023	2022	2021
SPURA	**P746,318,560**	P475,286,408	P316,263,835
Interbank loans receivable	**129,387,516**	63,872,487	17,540
	P875,706,076	P539,158,895	P316,281,375

SPURA bears interest rates ranging from 5.5% to 6.4% in 2023, from 2.0% to 5.5% in 2022 and interest rate of 2.0% in 2021.

Peso-denominated interbank loans receivable bear interest rates ranging from 5.5% to 6.5% in 2023 and 1.8% to 5.0% in 2022. No short-term peso-denominated loans were granted by the Bank to other banks in 2021. Dollar-denominated interbank loans receivable bear interest rates ranging from 3.0% to 5.6%, from 0.5% to 3.8%, and from 0.1% to 0.5% in 2023, 2022 and 2021, respectively.

9. Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial assets at FVPL consist of:

	2023	2022
Private debt securities	**P190,504,814**	P344,809,237
Government securities held-for-trading	**180,602,626**	7,258,797
Derivative assets	**27,685,000**	28,933,434
	P398,792,440	P381,001,468

Private debt securities pertain to investment in MRT III bonds that does not qualify as SPPI, thus, mandatorily classified and measured as financial assets at FVPL.

As at December 31, 2023, 2022 and 2021, financial assets at FVPL are adjusted for unrealized gain of P22.8 million and P3.0 million and unrealized loss of P4.2 million, respectively (see Note 28).

Derivative Financial Instruments

This includes warrants amounting to $0.05 million acquired by the Bank in June 2008. The warrants give the Bank the option or right to exchange its holding of certain Republic of the Philippines Global Bonds into peso-denominated government securities upon occurrence of a predetermined credit event. The warrants will mature in November 2032.

Forward swaps refer to spot purchase of sale of one currency against another with an offsetting agreement to sell or purchase the same currency at an agreed forward rate in the future. As at December 31, 2023, these pertain to two contracts with notional amount of $1.0 million each, two contracts with notional amount of $5.0 million each and two contracts with notional amount of $10.0 million each. The Bank has one contract with notional amount of $1.0 million and three contracts with notional amount of $0.5 million each as at December 31, 2022.

The table below shows the fair values of derivative financial instruments entered into by the Bank, recorded as derivative assets or derivative liabilities, together with the notional amount and leverage exposure. The leverage exposure is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The leverage exposure indicates the volume of transactions outstanding as at December 31, 2023 and 2022 and is not indicative of either market risk or credit risk.

	December 31, 2023			December 31, 2022		
	Derivative Assets	**Notional Amount**	**Leverage Exposure**	Derivative Assets	Notional Amount	Leverage Exposure
Freestanding derivatives:						
Warrants	**P27,685,000**	**$50,000**	**$ -**	P27,877,500	$50,000	$ -
Forwards	**-**	**-**	**-**	1,055,934	1,000,000	-
	P27,685,000	**$50,000**	**$ -**	P28,933,434	$1,050,000	$ -

	December 31, 2023			December 31, 2022		
	Derivative Liabilities	**Notional Amount**	**Leverage Exposure**	Derivative Liabilities	Notional Amount	Leverage Exposure
Freestanding derivatives:						
Forwards	**P6,201,649**	**$32,000,000**	**$ -**	P283,329	$1,500,000	$ -

10. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	2023	2022
Government securities	**P10,850,047,722**	P5,619,271,980
Equity securities	**193,757,106**	185,778,540
	P11,043,804,828	P5,805,050,520

As at December 31, 2023 and 2022, the ECL allowance on debt securities at FVOCI included under "Net unrealized losses on financial assets at FVOCI" amounted to P1.1 million and P0.6 million, respectively (see Note 17).

Equity Securities
This account consists of ordinary shares from a foreign financial institution and a telecommunications company and club shares. The Bank has designated these equity securities at FVOCI.

Equity securities include the Bank's 3.07% equity interest in Banco National de Guinea Equatorial (BANGE) as part of its partnership with the National Government of the Republic of Equatorial Guinea. The carrying amount of the equity securities amounted to P19.4 million and P18.8 million, respectively, as at December 31, 2023 and 2022. Dividend income received from BANGE in 2023 amounted to P4.0 million, booked under "Miscellaneous Income" in the statements of income (see Note 31). No dividend was received from BANGE in 2022 and 2021.

In 2023, 2022 and 2021, the Bank disposed club shares with carrying value of P0.9 million, P0.8 million and P10.6 million, respectively, and transferred to "Retained earnings" account the realized gain of P7.5 million, P0.3 million and P6.1 million in 2023, 2022 and 2021, respectively.

Dividend income from equity securities at FVOCI amounted to P5.6 million, P1.6 million, and P5.7 million in 2023, 2022 and 2021, respectively (see Note 31).

Net Unrealized Losses on Financial Assets at FVOCI

The movements of net unrealized gains (losses) on financial assets at FVOCI follow:

	Note	**2023**	2022	2021
Balance at beginning of year		**(P730,966,925)**	(P156,154,761)	P69,657,563
Net unrealized gains (losses) recognized as OCI		**324,174,117**	(574,495,027)	(293,920,562)
ECL on debt securities at FVOCI	*17*	**455,690**	(27,137)	(1,108,339)
Realized losses (gains) taken to profit or loss	*28*	**(6,964,361)**	-	68,883,753
Effect of tax	*32*	**(363,597)**	-	6,389,324
Net change in unrealized gains (losses) recorded in OCI		**317,301,849**	(574,522,164)	(219,755,824)
Realized gains taken to retained earnings		**(7,527,455)**	(290,000)	(6,056,500)
Balance at end of year		**(P421,192,531)**	(P730,966,925)	(P156,154,761)

11. Investment Securities at Amortized Cost

This account consists of:

	Note	**2023**	2022
Government securities		**P50,311,649,891**	P49,450,521,816
Private debt securities	*33*	**2,165,662,758**	2,764,316,045
		52,477,312,649	52,214,837,861
Less allowance for credit losses	*17*	**6,209,355**	6,068,800
		P52,471,103,294	P52,208,769,061

No investment securities at amortized cost were sold in 2023 and 2022.

12. Loans and Receivables

This account consists of:

	Note	2023	2022
Receivables from customers:			
Term loans		**P81,196,871,925**	P86,583,033,586
Agri-agra loans		**11,681,545,957**	2,537,887,089
Housing loans		**8,454,302,941**	8,222,608,912
Auto loans		**4,123,415,068**	3,652,024,507
Bills purchased, import bills and trust receipts	*22*	**1,050,698,899**	1,384,577,563
Direct advances		**577,211,848**	605,327,618
Others		**2,368,875,299**	2,597,626,608
		109,452,921,937	105,583,085,883
Less unearned interest income		**45,387,843**	43,154,930
		109,407,534,094	105,539,930,953
Accrued interest receivable:			
Loans and receivables		**946,846,228**	848,790,235
Trading and investment securities		**483,609,311**	422,998,451
Interbank loans receivable and SPURA		**8,257,598**	5,715,175
Due from BSP and other banks		**4,357,778**	2,193,333
Accounts receivable		**1,055,139,512**	1,057,747,032
Sales contract receivables		**388,560,627**	382,621,585
Unquoted debt securities		**291,578,212**	291,578,213
RCOCI		**93,452**	249,146
		112,585,976,812	108,551,824,123
Less allowance for credit losses	*17*	**3,019,800,493**	3,460,595,359
		P109,566,176,319	P105,091,228,764

Bills purchased, import bills and trust receipts include bills purchased with contra account in “Bills purchased - contra” under “Other Liabilities” amounting to P1.0 billion and P1.3 Billion as at December 31, 2023 and 2022, respectively (see Notes 22 and 33). Bills purchased - contra represents liabilities arising from the outright purchases of checks due for clearing as a means of immediate financing offered by the Bank to its clients.

Other receivables from customers pertain to consumer loans such as benefit loans, salary loans, and credit cards.

Accounts receivable mainly consist of amounts due from customers and other parties under open-account arrangements, advances for buyers of foreclosed properties, receivables from employees and other miscellaneous receivables.

Sales contract receivables arise mainly from the sale of foreclosed properties booked under “Investment properties” accounts.

On March 25, 2020, Republic Act (RA) No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1") was enacted. Bayanihan 1 provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest falling due within the enhanced community quarantine period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, RA No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2"), was enacted. Under Bayanihan 2, a one-time 60-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interest, penalties, fees and other charges, thereby extending the maturity of the said loans.

Based on the Bank's assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets. The impact of loan modifications amounted to a loss of P29.6 million in 2020. In 2023, 2022 and 2021, accretion of loan modification that were recorded in "Interest income" in the statements of income amounted to P3.4 million, P5.1 million and P7.0 million, respectively.

BSP Regulatory Reporting

As at December 31, 2023 and 2022, the breakdown of receivables from customers as to collateral follows (amounts in thousands, except percentages):

	2023		2022	
	Amount	**%**	Amount	%
Loans secured by:				
Deed of pledge	**P7,983,973**	**7.3**	P7,905,090	7.5
Real estate	**6,564,727**	**6.0**	5,345,891	5.1
Deposit hold-out	**5,194,467**	**4.8**	5,283,140	5.0
Continuing surety agreement	**4,306,977**	**3.9**	4,754,637	4.5
Chattel	**2,280,780**	**2.1**	2,314,566	2.2
Deed of assignment	**1,362,971**	**1.2**	1,136,920	1.1
Corporate guaranty	**1,331,763**	**1.2**	1,564,374	1.5
Mortgage trust indenture	**-**	**-**	809,900	0.8
Certificate of participation	**-**	**-**	800,000	0.7
Others*	**31,992,124**	**29.2**	17,756,186	16.8
	61,017,782	**55.7**	47,670,704	45.2
Unsecured	**48,435,140**	**44.3**	57,912,382	54.8
	P109,452,922	**100.0**	P105,583,086	100.0

**Others include post-dated checks and various collaterals on omnibus loan and security agreement*

As at December 31, 2023 and 2022, information on the concentration of credit as to industry follows (amounts in thousands, except percentages):

	2023		2022	
	Amount	**%**	Amount	%
Electricity, gas, steam, and air-conditioning supply	**P39,122,670**	**35.8**	P30,518,493	28.9
Real estate activities	**18,848,608**	**17.2**	24,139,201	22.9
Construction	**11,705,416**	**10.7**	6,278,239	5.9
Manufacturing	**10,917,610**	**10.0**	13,275,801	12.6
Wholesale and retail trade, repair of motor vehicles and motorcycles	**5,957,919**	**5.4**	4,889,646	4.6
Information and communication	**4,973,415**	**4.6**	9,528,617	9.0
Financial and insurance activities	**2,554,721**	**2.3**	1,311,410	1.3
Agriculture, forestry and fishing	**1,898,948**	**1.7**	2,394,508	2.3
Mining and quarrying	**1,882,580**	**1.7**	1,895,670	1.8
Accommodation and food service activities	**1,549,064**	**1.4**	1,285,650	1.2
Water supply, sewerage, waste management and remediation activities	**1,380,895**	**1.3**	1,401,877	1.3
Transportation and storage	**1,328,555**	**1.2**	1,372,692	1.3
Administrative and support service activities	**541,078**	**0.5**	711,460	0.7
Others*	**6,791,443**	**6.2**	6,579,822	6.2
	P109,452,922	**100.0**	P105,583,086	100.0

**Others include Professional Activities, Education, Personal Consumption and other various activities*

BSP considers that concentration of credit risk exists when the total loan exposure to a particular industry or economic sector exceeds 30.0% of total loan portfolio or 10.0% of Tier 1 capital.

As at December 31, 2023, the table above includes one industry group (electricity, gas, steam and air-conditioning supply) above the 30.0% of the total loan portfolio. However, the Bank has internal sub-classifications for renewable and non-renewable energy under electricity and power industry with separate limits (for renewable energy- 25.0% of the total loan portfolio, non-renewable energy- 30.0%). Existing exposures as at December 31, 2023 for this industry are within the acceptable levels (for renewable energy- 14.9% of the total loan portfolio, non-renewable energy- 20.8%). As at December 31, 2022, the Bank does not have credit concentration in any particular industry that exceeds 30.0% of total loan portfolio.

As at December 31, 2023, 10.0% of the Tier 1 capital amounted to P2.7 billion and the table above includes the six industry groups (Electricity, gas, steam and air-conditioning supply, Real estate activities, Construction, Manufacturing, Wholesale and retail trade, repair of motor vehicles and motorcycles and Information and communications) exceeding this level as of that date.

The table also includes the six industry groups (Electricity, gas, steam and air-conditioning supply, Real estate activities, Manufacturing, Construction, Wholesale and retail trade, repair of motor vehicles and motorcycles and Information and communications) above the 10.0% of Tier 1 capital (P2.5 billion) as at December 31, 2022.

The BROC and CRECOM constantly monitor these credit risk concentrations to ensure these are within the risk appetite of the Bank. Limits are set to allow SET to highlight any possible issues and to actively direct loans to preferred industries when faced with emerging concentration and potential industry decline.

Under BSP Circular No. 941, *Amendments to the Regulations on Past Due and Non-Performing Loans,* loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

As at December 31, 2023 and 2022, the breakdown of receivables from customers as to status, is as follows (amounts in thousands):

	December 31, 2023		
	Performing	**Non-performing**	**Total**
Corporate	**P92,720,144**	**P782,498**	**P93,502,642**
Consumers	**12,359,497**	**911,470**	**13,270,967**
Credit card	**1,361,326**	**217,212**	**1,578,538**
Others	**1,004,755**	**50,632**	**1,055,387**
	P107,445,722	**P1,961,812**	**P109,407,534**

	December 31, 2022		
	Performing	Non-performing	Total
Corporate	P89,160,116	P644,853	P89,804,969
Consumers	11,338,496	1,221,937	12,560,433
Credit card	1,216,190	596,107	1,812,297
Others	1,306,849	55,383	1,362,232
	P103,021,651	P2,518,280	P105,539,931

As at December 31, 2023 and 2022, the NPLs of the Bank, as reported to BSP, are as follows (in thousands):

	2023	2022
Gross NPLs	**P1,961,812**	P2,518,280
Less deductions as required by BSP	**1,394,550**	1,793,731
Net NPLs	**P567,262**	P724,549

Gross and net NPL ratios of the Bank are 1.54% and 0.44%, respectively, as at December 31, 2023 and 2.10% and 0.60%, respectively, as at December 31, 2022.

As at December 31, 2023 and 2022, restructured loans amounted to P1.0 billion and P1.1 billion, respectively. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs. As at December 31, 2023 and 2022, restructured receivables from customers considered as NPLs amounted P456.9 million and P340.9 million, respectively.

On March 14, 2020, the BSP issued BSP Memorandum No. M-2020-008 Regulatory Reliefs for BSP-supervised financial institutions Affected by the COVID-19, as amended by M-2020-0032 dated April 27, 2020 and M-2020-0022 dated April 8, 2020. The said memorandum provides for certain temporary regulatory relief measures for financial institutions supervised by the BSP, as follows:

- Staggered booking of allowance for credit losses over a maximum of five years for all types of credits extended to individuals and businesses directly affected by COVID-19 as of March 8, 2020, subject to prior approval of the BSP;

- Exclusion from the computation of past due and non-performing classification, the loans by borrowers in affected areas which should have been reclassified as past due as of March 8, 2020, including those loans becoming past due or non-performing six months thereafter, subject to the following: (a) such loans shall be reported to the BSP; (b) the exclusion shall be allowed from March 8, 2020 until December 31, 2021; and (c) BSP documentary requirements for restructuring of loans may be waived provided that the Bank will adopt appropriate and prudent operational control measures;

- Non-imposition of monetary penalties for delays incurred in the submission of all supervisory reports to BSP due to be submitted from March 8, 2020 up to six months thereafter;

- Non-imposition of penalties on legal reserve deficiencies computed under Section 255 of the MORB starting from reserve week following March 8, 2020 up to six months thereafter, subject to prior approval of the BSP;

- Increase in the Single Borrower's Limit from 25.0% to 30.0% until March 31, 2021;

- Allowance of (a) loans to Micro, Small and Medium Enterprises and (b) loans to critically-impacted large enterprises as alternative mode of compliance with reserve requirements until December 31, 2021; and

- Provision of financial assistance to officers affected by the present health emergency, for the grant of loans, advances or any other forms of credit accommodations, subject to the submission by the Bank of a request for BSP approval within 30 calendar days from the approval thereof of the BOD.

As of December 31, 2023 and 2022, there has been no availment of the reliefs provided by BSP.

Interest Income on Loans and Receivables
This account consists of:

	2023	2022	2021
Receivables from customers:			
Term loans	**P6,145,776,140**	P4,258,299,628	P3,135,826,861
Agri-agra loans	**817,533,328**	117,546,235	38,283,650
Housing loans	**566,980,066**	533,304,245	551,299,617
Auto loans	**297,279,192**	247,631,545	264,452,515
Direct advances	**18,960,417**	15,944,868	18,021,144
Bills purchased, import bills and trust receipts	**1,704,583**	5,908,431	1,008,184
Others	**371,451,465**	264,901,980	250,289,916
	8,219,685,191	5,443,536,932	4,259,181,887
Sales contract receivable	**24,987,312**	21,691,954	25,273,885
	P8,244,672,503	P5,465,228,886	P4,284,455,772

**Others pertain to interest income from consumer loans such as benefit loans, salary loans, and credit cards.*

As at December 31, 2023, 2022 and 2021, 60.3%, 55.7% and 48.0%, respectively, of the total receivables from customers were subject to periodic interest repricing.

Peso-denominated loans earn annual fixed interest rates ranging from 2.5% to 28.8% in 2023, from 1.6% to 54% in 2022, and from 1.0% to 54.0% in 2021. Dollar-denominated loans earn annual fixed interest rates ranging from 3.5% to 9.8% in 2023, 3.3% to 8.7% in 2022, and from 1.2% to 8.0% in 2021.

Sales contract receivables bear fixed interest rates ranging from 5.3% to 11.6% in 2023, 2022, and 2021.

13. Investment in an Associate

The movements in Bank's equity investment in BIC follow:

	Note	2023	2022	2021
Acquisition cost (24.26%-owned)		**P75,395,200**	P75,395,200	P75,395,200
Accumulated equity in net loss and OCI:				
Balance at beginning of year		**(29,946,787)**	(29,807,825)	(28,782,008)
Share in net loss		**(782,580)**	(133,185)	(1,039,285)
Share in other comprehensive income (loss)		**(3,206,283)**	(5,777)	13,468
Balance at end of year		**(33,935,650)**	(29,946,787)	(29,807,825)
Allowance for impairment loss	*17*	**(5,925,786)**	(5,925,786)	(5,925,786)
	33	**P35,533,764**	P39,522,627	P39,661,589

The following table shows the summarized financial information of BIC:

	2023**	2022*	2021*
Assets	**P159,026,783**	P162,417,769	P175,203,784
Liabilities	**(12,556,199)**	(12,566,028)	(12,041,307)
Net assets	**146,470,584**	149,851,741	163,162,477
Revenues	**1,128,538**	4,110,788	1,740,041
Net loss for the year	**(3,334,297)**	(117,445)	(2,791,998)
Other comprehensive loss	**(46,858)**	(13,193,291)	57,793
Total comprehensive loss	**(3,381,155)**	(13,310,736)	(2,734,205)

** Based on 2021 and 2022 audited financial statements*
*** Based on 2023 unaudited financial information*

As at December 31, 2023 and 2022, the Bank's subscribed capital stock in BIC amounted to P75.8 million out of BIC's outstanding capital stock of P312.5 million.

14. Property, Equipment and Right-of-Use Assets

The movements in property and equipment and right-of-use assets follow:

		December 31, 2023					
	Note	**Land**	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Right-of-Use Assets** (Note 30)	**Total**
Cost							
Balance at January 1		**P41,569,630**	**P875,749,388**	**P1,628,976,165**	**P869,866,640**	**P1,035,535,118**	**P4,451,696,941**
Additions		**-**	**26,016,819**	**398,797,324**	**41,565,202**	**313,175,775**	**779,555,120**
Disposals		**-**	**-**	**(109,168,787)**	**-**	**(211,938,770)**	**(321,107,557)**
Balance at December 31		**41,569,630**	**901,766,207**	**1,918,604,702**	**911,431,842**	**1,136,772,123**	**4,910,144,504**
Less Accumulated Depreciation and Amortization							
Balance at January 1		**-**	**288,710,154**	**1,308,085,343**	**821,224,328**	**602,102,604**	**3,020,122,429**
Depreciation and amortization		**-**	**23,170,050**	**120,668,429**	**21,850,272**	**200,613,240**	**366,301,991**
Disposals		**-**	**-**	**(60,799,574)**	**-**	**(211,938,770)**	**(272,738,344)**
Balance at December 31		**-**	**311,880,204**	**1,367,954,198**	**843,074,600**	**590,777,074**	**3,113,686,076**
Allowance for impairment losses	*17*	**5,022,885**	**239,593**	**-**	**-**	**-**	**5,262,478**
Net Book Value at December 31		**P36,546,745**	**P589,646,410**	**P550,650,504**	**P68,357,242**	**P545,995,049**	**P1,791,195,950**

		December 31, 2022					
	Note	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	Total
Cost							
Balance at January 1		P41,569,630	P872,187,818	P1,570,377,529	P853,087,118	P972,959,420	P4,310,181,515
Additions		-	3,561,570	162,015,036	16,779,522	159,277,079	341,633,207
Disposals		-	-	(103,416,400)	-	(96,701,381)	(200,117,781)
Balance at December 31		41,569,630	875,749,388	1,628,976,165	869,866,640	1,035,535,118	4,451,696,941
Less Accumulated Depreciation and Amortization							
Balance at January 1		-	265,538,777	1,261,865,760	799,505,168	504,717,541	2,831,627,246
Depreciation and amortization		-	23,171,377	96,886,118	21,719,160	194,086,444	335,863,099
Disposals		-	-	(50,666,535)	-	(96,701,381)	(147,367,916)
Balance at December 31		-	288,710,154	1,308,085,343	821,224,328	602,102,604	3,020,122,429
Allowance for impairment losses	*17*	5,022,885	1,133,017	-	-	-	6,155,902
Net Book Value at December 31		P36,546,745	P585,906,217	P320,890,822	P48,642,312	P433,432,514	P1,425,418,610

	Note	December 31, 2021					
		Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	Total
Cost							
Balance at January 1		P41,569,630	P854,170,133	P1,540,355,955	P829,058,742	P940,405,219	P4,205,559,679
Additions		-	18,017,685	114,949,628	24,028,376	45,242,843	202,238,532
Disposals		-	-	(85,117,636)	-	(12,688,642)	(97,806,278)
Reclassification	*16*	-	-	189,582	-	-	189,582
Balance at December 31		41,569,630	872,187,818	1,570,377,529	853,087,118	972,959,420	4,310,181,515
Less Accumulated Depreciation and Amortization							
Balance at January 1		-	242,821,509	1,197,935,505	775,846,438	323,398,988	2,540,002,440
Depreciation and amortization		-	22,717,268	104,126,463	23,658,730	194,007,195	344,509,656
Disposals		-	-	(40,196,208)	-	(12,688,642)	(52,884,850)
Balance at December 31		-	265,538,777	1,261,865,760	799,505,168	504,717,541	2,831,627,246
Allowance for impairment losses	*17*	5,022,885	1,133,017	-	-	-	6,155,902
Net Book Value at December 31		P36,546,745	P605,516,024	P308,511,769	P53,581,950	P468,241,879	P1,472,398,367

In 2023, 2022 and 2021, the net gains on sale of property and equipment included under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the statements of income amounted to P0.9 million, P0.1 million, and P0.3 million, respectively.

As at December 31, 2023 and 2022, the cost of fully depreciated property and equipment still in use amounted to P1.8 billion.

15. Investment Properties

The movements in investment properties follow:

	Note	December 31, 2023		
		Land	**Buildings**	**Total**
Balance at January 1		**P3,194,101,578**	**P1,232,705,893**	**P4,426,807,471**
Additions		**358,235,659**	**230,367,748**	**588,603,407**
Disposals		**(137,068,053)**	**(63,508,658)**	**(200,576,711)**
Write-off		**(10,535,811)**	**(1,697,532)**	**(12,233,343)**
Balance at December 31		**3,404,733,373**	**1,397,867,451**	**4,802,600,824**
Less Accumulated Depreciation				
Balance at January 1		**-**	**824,917,030**	**824,917,030**
Depreciation		**-**	**103,128,616**	**103,128,616**
Disposal		**-**	**(49,972,740)**	**(49,972,740)**
Write-off		**-**	**(1,556,456)**	**(1,556,456)**
Balance at December 31		**-**	**876,516,450**	**876,516,450**
Less Allowance for Impairment Losses	*17*	**245,057,307**	**4,900,569**	**249,957,876**
		P3,159,676,066	**P516,450,432**	**P3,676,126,498**

	Note	December 31, 2022		
		Land	Buildings	Total
Balance at January 1		P3,223,880,496	P1,194,131,603	P4,418,012,099
Additions		84,976,590	84,393,604	169,370,194
Disposals		(114,755,508)	(45,819,314)	(160,574,822)
Balance at December 31		3,194,101,578	1,232,705,893	4,426,807,471
Less Accumulated Depreciation				
Balance at January 1		-	778,421,466	778,421,466
Depreciation		-	81,156,976	81,156,976
Disposal		-	(34,661,412)	(34,661,412)
Balance at December 31		-	824,917,030	824,917,030
Less Allowance for Impairment Losses	*17*	198,932,553	2,971,139	201,903,692
		P2,995,169,025	P404,817,724	P3,399,986,749

	Note	December 31, 2021		
		Land	Buildings	Total
Balance at January 1		P3,354,902,161	P1,177,252,394	P4,532,154,555
Additions		6,038,866	58,065,161	64,104,027
Disposals		(137,060,531)	(41,185,952)	(178,246,483)
Balance at December 31		3,223,880,496	1,194,131,603	4,418,012,099
Less Accumulated Depreciation				
Balance at January 1		-	727,351,651	727,351,651
Depreciation		-	75,962,263	75,962,263
Disposal		-	(24,892,448)	(24,892,448)
Balance at December 31		-	778,421,466	778,421,466
Less Allowance for Impairment Losses	*17*	185,103,589	6,172,509	191,276,098
		P3,038,776,907	P409,537,628	P3,448,314,535

As at December 31, 2023 and 2022, the aggregate market value of investment properties amounted to P10.5 billion and P10.0 billion , respectively. Information about the fair value measurement of investment properties is presented in Note 6.

Gain on foreclosure and sale of investment properties included under “Gains on foreclosure and sale of property and equipment and foreclosed assets - net” consists of the following:

	2023	2022	2021
Gain on foreclosure	**P284,652,924**	P63,491,307	P3,877,212
Gain on assets sold	**196,428,853**	262,092,188	258,763,846
	P481,081,777	P325,583,495	P262,641,058

In 2022 and 2021, rental income on investment properties (included in “Miscellaneous income” account in the statements of income) amounted P0.6 million, and P0.1 million, respectively (see Note 31). No rental income on investment properties was received in 2023.

Direct operating expenses on investment properties that generated rental income (included under “Rent and utilities” account, “Litigation and acquired assets-related expenses” in “Other expenses - miscellaneous” account and “Taxes and licenses” account in the statements of income) amounted to P0.01 million and P0.02 million in 2022 and 2021, respectively. No direct operating expenses on investment properties that generated rental income were incurred in 2023. Direct operating expenses on investment properties such as security and insurance expenses, included under “Rent and utilities” account, litigation expenses, included under “Litigation and acquired assets-related expenses” in “Other expenses - miscellaneous” account, and real estate taxes, included under “Taxes and licenses” account in the statements of income, that did not generate rental income in 2023, 2022, and 2021 amounted to P83.7 million, P91.6 million, and P74.0 million, respectively (see Note 31).

16. Other Assets

This account consists of:

	Note	2023	2022
Miscellaneous assets - TRB	*34*	**P4,348,092,231**	P4,431,521,641
Creditable withholding tax		**2,099,842,660**	1,773,453,565
Intangible assets*		**369,413,076**	386,524,308
Sinking fund	*24*	**290,118,112**	282,393,274
Documentary stamps		**135,513,421**	99,711,061
Prepaid expenses		**89,947,796**	48,103,886
Other properties acquired*		**73,493,952**	43,126,160
Retirement assets	*29*	**-**	73,147,902
Others		**301,848,371**	195,037,847
		7,708,269,619	7,333,019,644
Less allowance for impairment losses	*17*	**4,438,055,610**	4,611,829,118
		P3,270,214,009	P2,721,190,526

**net of accumulated amortization/depreciation, gross of allowance for impairment losses*

Miscellaneous Assets - TRB

This account includes non-performing assets (NPAs) amounting to P4.3 billion and P4.4 billion, respectively, as at December 31, 2023 and 2022 which were assumed by the Bank in connection with the Purchase and Sale Agreement (PSA) entered into by the Bank with Traders Royal Bank (TRB) in 2002 (see Note 34). Pursuant to the requirements of PFRS, the allowance for impairment losses on the NPAs amounting to P4.3 billion and P4.4 billion, respectively, as at December 31, 2023 and 2022, were charged in full in the period incurred.

For its separate prudential reporting to BSP, the Bank was allowed under the MB Resolution No. 1751, dated November 8, 2001, as further amended by MB Resolution No. 489, dated April 3, 2003 and pursuant to MB Resolution No. 1950, dated November 21, 2013, to defer the full recognition of the impairment losses. The Bank annually recognizes provisions for impairment losses to gradually meet the foregoing provisioning requirement based on the net yield earned by the Bank from the Financial Assistance Agreement (FAA) with Philippine Deposit Insurance Corporation (PDIC) until November 29, 2013 when the collateralized government securities was sold and the obligation was fully settled. In 2022, the Bank recognized P1.3 billion provisions for prudential reporting to BSP to fully recognize the impairment losses on the NPAs. In 2021, provisions for impairment losses recognized for prudential reporting to BSP amounted to P160.0 million (see Note 34).

Intangible Assets

Intangible assets consist of:

	Note	2023	2022
Software costs*		**P309,413,076**	P326,524,308
Branch licenses		**60,000,000**	60,000,000
		369,413,076	386,524,308
Less allowance for impairment losses	*17*	**-**	90,278,696
		P369,413,076	P296,245,612

**net of accumulated amortization, gross of allowance for impairment losses*

Movements in software costs follow:

	2023	2022	2021
Cost			
Balance at January 1	**P1,027,748,294**	P926,851,659	P877,878,810
Additions	**149,908,692**	100,896,635	48,972,849
Write-off	**(102,752,784)**	-	-
Balance at end of year	**1,074,904,202**	1,027,748,294	926,851,659
Less Accumulated Amortization			
Balance at January 1	**701,223,986**	628,155,881	574,560,745
Amortization for the year	**76,741,228**	73,068,105	53,595,136
Write-off	**(12,474,088)**	-	-
Balance at end of year	**765,491,126**	701,223,986	628,155,881
Less Allowance for Impairment Losses	**-**	90,278,696	90,278,696
Net Book Value	**P309,413,076**	P236,245,612	P208,417,082

Other Properties Acquired

Movements in the other properties acquired follow:

	Note	2023	2022	2021
Cost				
Balance at January 1		**P245,108,000**	P220,284,000	P225,430,172
Additions		**86,927,784**	87,394,500	41,210,000
Disposals		**(48,626,500)**	(62,570,500)	(44,651,000)
Reclassification	*14*	**-**	-	(1,705,172)
Balance at end of year		**283,409,284**	245,108,000	220,284,000
Less Accumulated Depreciation				
Balance at January 1		**201,981,840**	199,868,958	174,388,936
Depreciation for the year		**19,948,439**	14,643,389	42,060,966
Disposals		**(12,014,947)**	(12,530,507)	(15,065,354)
Reclassification	*14*	**-**	-	(1,515,590)
Balance at end of year		**209,915,332**	201,981,840	199,868,958
Less Allowance for Impairment Losses		**-**	96,485	-
Net Book Value		**P73,493,952**	P43,029,675	P20,415,042

In 2023, 2022 and 2021, gain on foreclosure amounted to P4.7 million, P3.5 million and P1.2 million, respectively. Gain on sale of other properties acquired under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" amounted to P8.7 million, P11.2 million, and P10.3 million in 2023, 2022 and 2021, respectively.

Others include security deposit, unused supplies and forms and petty cash fund.

17. Allowance for Credit and Impairment Losses

Movements in ECL allowances in 2023, 2022 and 2021 on financial assets, other than loans and receivables, are summarized as follows (amounts in thousands):

	December 31, 2023					
	Due from BSP	**Due from Other Banks**	**Interbank Loans Receivable and SPURA** (Note 8)	**Financial Assets at FVOCI** (Note 10)	**Investment Securities at Amortized Cost** (Note 11)	**Total**
ECL allowance, January 1, 2023	**P3,197**	**P141**	**P2,481**	**P634**	**P6,069**	**P12,522**
Provision for credit and impairment losses for the year	**80**	**2**	**238**	**456**	**145**	**921**
Foreign exchange differences	**-**	**(1)**	**(4)**	**-**	**(5)**	**(10)**
ECL allowance, December 31, 2023	**P3,277**	**P142**	**P2,715**	**P1,090**	**P6,209**	**P13,433**

	December 31, 2022					
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	Total
ECL allowance, January 1, 2022	P6,125	P141	P2,583	P662	P5,761	P15,272
Provision for (reversal of) credit and impairment losses for the year	(2,928)	(7)	(144)	(37)	220	(2,896)
Foreign exchange differences	-	7	42	9	88	146
ECL allowance, December 31, 2022	P3,197	P141	P2,481	P634	P6,069	P12,522

	December 31, 2021					
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	Total
ECL allowance, January 1, 2021	P5,340	P138	P2,978	P1,770	P1,231	P11,457
Provision for (reversal of) credit and impairment losses for the year	785	(3)	(431)	(1,138)	4,493	3,706
Foreign exchange differences	-	6	36	30	37	109
ECL allowance, December 31, 2021	P6,125	P141	P2,583	P662	P5,761	P15,272

All accounts above were carried at Stage 1 and there were no transfers into and out of Stage 1 in 2023, 2022 and 2021.

The ECL allowance on financial assets at FVOCI is included in the “Net unrealized losses on financial assets at FVOCI” account in the statements of financial position (see Note 10).

As at December 31, 2023 and 2022, ECL on off-balance sheet exposures amounted to P23.7 million and P33.8 million, respectively, (see Note 22). In 2023, 2022 and 2021, the Bank recognized provision for (reversal of) ECL on loan commitment and financial guarantees amounting to (P10.0 million), (P36.9 million), and P38.5 million, respectively.

In 2023 and 2022, the Bank recognized a provision (reversal) of allowance for credit losses on loans and receivables amounting to (P238.9 million) and P74.6 million, which is included under “Provision for (reversal of) credit and impairment losses” account in the statements of income, as a result of the recalibration of its existing ECL framework to incorporate the most recent data and developments in the macroeconomic environment of the Bank (see Notes 3 and 4). The amount of the effect in future periods is not disclosed because estimating the impact is impracticable.

The table below summarizes the movements in ECL allowances on loans and receivables in 2023, 2022 and 2021 (amounts in thousands).

	December 31, 2023										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2023	P180,639	P18,421	P35,735	P2,958	P120	P5,126	P57,970	P300,969	P2,632	P6,360	P309,961
Provision for credit and impairment losses	41,589	11,126	(25,378)	4,267	16	66,261	(15,519)	82,362	266	777	83,405
Transfer from Stage 1	(31,876)	(22,190)	(6,572)	(5,023)	(29)	(54,499)	(2,743)	(122,932)	(108)	(2,040)	(125,080)
Transfer from Stage 2	214	306	161	-	-	-	15	696	9	12	717
Transfer from Stage 3	-	200	2	-	-	-	3	205	26	3	234
Foreign exchange differences	(95)	-	-	-	-	(39)	(19)	(153)	-	(1)	(154)
	190,471	7,863	3,948	2,202	107	16,849	39,707	261,147	2,825	5,111	269,083
Stage 2											
ECL Loans, January 1, 2023	82,939	9,121	26,246	-	286	6,904	13,361	138,857	39	20,702	159,598
Provision for credit and impairment losses	50,129	(658)	(20,901)	-	(286)	124,381	3,572	156,237	(26)	6,945	163,156
Transfer from Stage 1	-	11,620	3,158	-	29	49	968	15,824	49	527	16,400
Transfer from Stage 2	(214)	(4,525)	(4,489)	-	-	(131,258)	(461)	(140,947)	(12)	(4,610)	(145,569)
Transfer from Stage 3	-	1,724	108	-	-	-	24	1,856	2	44	1,902
Foreign exchange differences	-	-	-	-	-	-	(3)	(3)	-	(2)	(5)
	132,854	17,282	4,122	-	29	76	17,461	171,824	52	23,606	195,482
Stage 3											
ECL Loans, January 1, 2023	465,848	144,276	341,668	88,174	133,007	17,663	612,085	1,802,721	54,298	1,134,017	2,991,036
Provision for credit and impairment losses	(36,546)	20,645	(107,031)	-	-	(17,663)	38,990	(101,605)	(181)	(31,153)	(132,939)
Transfer from Stage 1	31,876	10,570	3,414	5,023	-	54,450	1,775	107,108	59	1,513	108,680
Transfer from Stage 2	-	4,219	4,328	-	-	131,258	446	140,251	3	4,598	144,852
Transfer from Stage 3	-	(1,924)	(110)	-	-	-	(27)	(2,061)	(28)	(47)	(2,136)
Movement due to foreclosure/settlement	(9,580)	(5,422)	(9,726)	-	-	-	-	(24,728)	-	(1,340)	(26,068)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Foreign exchange differences	(491)	(24)	-	(351)	-	-	(166)	(1,032)	-	(713)	(1,745)
	407,680	172,340	232,543	89,470	121,242	185,708	186,626	1,395,609	54,151	1,105,475	2,555,235
Total											
ECL Loans, January 1, 2023	729,426	171,818	403,649	91,132	133,413	29,693	683,416	2,242,547	56,969	1,161,079	3,460,595
Provision for credit and impairment losses	55,172	31,113	(153,310)	4,267	(270)	172,979	27,043	136,994	59	(23,431)	113,622
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	(9,580)	(5,422)	(9,726)	-	-	-	-	(24,728)	-	(1,340)	(26,068)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Foreign exchange differences	(586)	(24)	-	(351)	-	(39)	(188)	(1,188)	-	(716)	(1,904)
	P731,005	P197,485	P240,613	P91,672	P121,378	P202,633	P243,794	P1,828,580	P57,028	P1,134,192	P3,019,800

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

	December 31, 2022										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2022	P99,790	P16,284	P33,420	P288	P3,416	P1,789	P11,915	P166,902	P2,623	P2,601	P172,126
Provision for credit and impairment losses	129,550	19,453	25,643	10,326	(3,024)	9,156	50,053	241,157	(5)	7,680	248,832
Transfer from Stage 1	(51,207)	(19,948)	(26,590)	(7,656)	(286)	(5,967)	(4,064)	(115,718)	(147)	(4,107)	(119,972)
Transfer from Stage 2	1,775	2,100	2,685	-	-	-	20	6,580	71	153	6,804
Transfer from Stage 3	-	530	577	-	-	-	2	1,109	90	28	1,227
Foreign exchange differences	731	2	-	-	14	148	44	939	-	5	944
	180,639	18,421	35,735	2,958	120	5,126	57,970	300,969	2,632	6,360	309,961
Stage 2											
ECL Loans, January 1, 2022	38,924	22,554	48,820	-	-	4,671	3,928	118,897	160	27,491	146,548
Provision for credit and impairment losses	61,651	(1,163)	(23,883)	-	-	(3,734)	9,063	41,934	(35)	(2,516)	39,383
Transfer from Stage 1	51,207	5,830	16,608	-	286	5,967	764	80,662	31	1,456	82,149
Transfer from Stage 2	(69,829)	(18,530)	(17,918)	-	-	-	(473)	(106,750)	(125)	(5,936)	(112,811)
Transfer from Stage 3	-	430	2,619	-	-	-	64	3,113	8	165	3,286
Foreign exchange differences	986	-	-	-	-	-	15	1,001	-	42	1,043
	82,939	9,121	26,246	-	286	6,904	13,361	138,857	39	20,702	159,598
Stage 3											
ECL Loans, January 1, 2022	623,300	136,588	446,902	76,426	163,188	17,663	601,570	2,065,637	54,719	1,104,169	3,224,525
Provision for credit and impairment losses	10,624	(19,544)	(100,930)	(249)	(30,181)	-	22,215	(118,065)	(493)	29,822	(88,736)
Transfer from Stage 1	-	14,118	9,982	7,656	-	-	3,300	35,056	116	2,651	37,823
Transfer from Stage 2	68,054	16,430	15,233	-	-	-	453	100,170	54	5,783	106,007
Transfer from Stage 3	-	(960)	(3,196)	-	-	-	(66)	(4,222)	(98)	(193)	(4,513)
Movement due to foreclosure/settlement	-	(2,436)	(26,323)	-	-	-	-	(28,759)	-	(1,649)	(30,408)
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Foreign exchange differences	3,751	80	-	4,341	-	-	1,969	10,141	-	8,728	18,869
	465,848	144,276	341,668	88,174	133,007	17,663	612,085	1,802,721	54,298	1,134,017	2,991,036
Total											
ECL Loans, January 1, 2022	762,014	175,426	529,142	76,714	166,604	24,123	617,413	2,351,436	57,502	1,134,261	3,543,199
Provision for credit and impairment losses	201,825	(1,254)	(99,170)	10,077	(33,205)	5,422	81,331	165,026	(533)	34,986	199,479
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(2,436)	(26,323)	-	-	-	-	(28,759)	-	(1,649)	(30,408)
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Foreign exchange differences	5,468	82	-	4,341	14	148	2,028	12,081	-	8,775	20,856
	P729,426	P171,818	P403,649	P91,132	P133,413	P29,693	P683,416	P2,242,547	P56,969	P1,161,079	P3,460,595

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

	December 31, 2021										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2021	P629,890	P199,431	P79,230	P7,401	P380	P1,642	P19,744	P937,718	P2,872	P16,292	P956,882
Provision for credit and impairment losses	(457,085)	(151,063)	35,763	(7,113)	3,029	4,311	17,659	(554,499)	(120)	(8,078)	(562,697)
Transfer from Stage 1	(76,052)	(35,299)	(87,484)	-	-	(4,190)	(25,575)	(228,600)	(253)	(5,856)	(234,709)
Transfer from Stage 2	1,217	2,472	5,437	-	-	-	64	9,190	4	206	9,400
Transfer from Stage 3	-	736	474	-	-	-	2	1,212	120	27	1,359
Foreign exchange differences	1,820	7	-	-	7	26	21	1,881	-	10	1,891
	99,790	16,284	33,420	288	3,416	1,789	11,915	166,902	2,623	2,601	172,126
Stage 2											
ECL Loans, January 1, 2021	49,354	88,482	28,776	-	7,059	1,207	5,714	180,592	153	31,627	212,372
Provision for credit and impairment losses	(47,694)	(58,919)	72,494	-	(7,244)	(726)	(2,641)	(44,730)	(52)	3,309	(41,473)
Transfer from Stage 1	37,999	12,455	28,461	-	-	4,190	1,480	84,585	110	2,048	86,743
Transfer from Stage 2	(1,217)	(22,255)	(82,928)	-	-	-	(676)	(107,076)	(101)	(9,727)	(116,904)
Transfer from Stage 3	-	2,791	2,017	-	-	-	44	4,852	50	176	5,078
Foreign exchange differences	482	-	-	-	185	-	7	674	-	58	732
	38,924	22,554	48,820	-	-	4,671	3,928	118,897	160	27,491	146,548
Stage 3											
ECL Loans, January 1, 2021	593,711	305,220	252,160	73,710	163,188	17,663	559,082	1,964,734	54,709	1,043,361	3,062,804
Provision for credit and impairment losses	(10,209)	(207,100)	73,070	-	-	-	16,410	(127,829)	(60)	43,377	(84,512)
Transfer from Stage 1	38,053	22,844	59,023	-	-	-	24,095	144,015	143	3,808	147,966
Transfer from Stage 2	-	19,783	77,491	-	-	-	612	97,886	97	9,521	107,504
Transfer from Stage 3	-	(3,527)	(2,491)	-	-	-	(46)	(6,064)	(170)	(203)	(6,437)
Movement due to foreclosure/settlement	-	(632)	(12,351)	-	-	-	-	(12,983)	-	(1,080)	(14,063)
Write-off	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	1,745	-	-	2,716	-	-	1,417	5,878	-	5,385	11,263
	623,300	136,588	446,902	76,426	163,188	17,663	601,570	2,065,637	54,719	1,104,169	3,224,525
Total											
ECL Loans, January 1, 2021	1,272,955	593,133	360,166	81,111	170,627	20,512	584,540	3,083,044	57,734	1,091,280	4,232,058
Provision for credit and impairment losses	(514,988)	(417,082)	181,327	(7,113)	(4,215)	3,585	31,428	(727,058)	(232)	38,608	(688,682)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(632)	(12,351)	-	-	-	-	(12,983)	-	(1,080)	(14,063)
Write-off	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	4,047	7	-	2,716	192	26	1,445	8,433	-	5,453	13,886
	P762,014	P175,426	P529,142	P76,714	P166,604	P24,123	P617,413	P2,351,436	P57,502	P1,134,261	P3,543,199

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

The table below summarizes the movements in the gross carrying amounts of financial assets, other than loans and receivables, in 2023 and 2022 (amounts in thousands).

	December 31, 2023				
	Due from BSP	**Due from Other Banks**	**Interbank Loans Receivable and SPURA** (Note 8)	**Financial Assets at FVOCI** (Note 10)	**Investment Securities at Amortized Cost** (Note 11)
Gross carrying amount, January 1, 2023	**P23,678,666**	**P1,044,396**	**P18,381,226**	**P5,805,051**	**P52,214,838**
New assets purchased or originated	**857,132,081**	**1,060**	**3,147,361,092**	**10,911,008**	**84,806,044**
Assets derecognized or repaid	**(854,932,081)**	**(36,818)**	**(3,143,921,917)**	**(5,963,068)**	**(84,500,328)**
Other movements*	**(1,603,470)**	**46,859**	**(1,705,905)**	**290,814**	**(43,241)**
Gross carrying amount, December 31, 2023	**P24,275,196**	**P1,055,497**	**P20,114,496**	**P11,043,805**	**P52,477,313**

**Includes movements in outstanding balances and foreign exchange differences*

	December 31, 2022				
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)
Gross carrying amount, January 1, 2022	P45,373,268	P1,039,597	P19,136,089	P5,055,117	P42,914,819
New assets purchased or originated	2,091,303,161	9,000	3,857,811,621	1,851,124	68,974,516
Assets derecognized or repaid	(2,113,643,161)	(17,460)	(3,859,072,152)	(578,775)	(59,895,050)
Other movements*	645,398	13,259	505,668	(522,415)	220,553
Gross carrying amount, December 31, 2022	P23,678,666	P1,044,396	P18,381,226	P5,805,051	P52,214,838

**Includes movements in outstanding balances and foreign exchange differences*

The table below summarizes the movements in the gross carrying amounts on loans and receivables in 2023 and 2022 (amounts in thousands).

	December 31, 2023										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Gross carrying amount, January 1, 2023	P85,152,447	P7,294,257	P3,115,110	P1,296,404	P466,443	P2,378,143	P1,808,374	P101,511,178	P263,227	P1,447,176	P103,221,581
New assets purchased or originated	39,963,570	1,369,112	1,913,726	14,983	382,112	10,075,693	531,274	54,250,470	154,270	742,125	55,146,865
Assets derecognized or repaid	(38,249,631)	(207,780)	(294,754)	(89,151)	(368,013)	(703,054)	(202,065)	(40,114,448)	(21,574)	(528,704)	(40,664,726)
Transfer from Stage 1	(61,876)	(180,668)	(48,317)	(5,023)	(1,674)	(59,181)	(13,235)	(369,974)	(10,881)	(87,181)	(468,036)
Transfer from Stage 2	142,500	88,312	35,256	-	-	-	1,862	267,930	953	3,985	272,868
Transfer from Stage 3	-	55,462	1,399	-	-	-	561	57,422	2,588	821	60,831
Other movements***	(6,732,361)	(678,921)	(999,409)	(255,984)	(26,446)	(201,994)	(141,209)	(9,036,324)	(106,068)	62,492	(9,079,900)
	80,214,649	7,739,774	3,723,011	961,229	452,422	11,489,607	1,985,562	106,566,254	282,515	1,640,714	108,489,483
Stage 2											
Gross carrying amount, January 1, 2023	960,125	182,084	127,407	-	2,641	142,076	65,034	1,479,367	4,038	35,963	1,519,368
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(257,858)	(13,444)	(24,725)	-	(2,641)	(2,865)	(4,586)	(306,119)	(1,971)	(20,706)	(328,796)
Transfer from Stage 1	-	116,055	35,704	-	1,674	4,731	8,807	166,971	4,884	25,258	197,113
Transfer from Stage 2	(142,500)	(114,102)	(45,545)	-	-	(131,258)	(2,727)	(436,132)	(1,228)	(9,353)	(446,713)
Transfer from Stage 3	-	16,910	1,164	-	-	-	160	18,234	165	437	18,836
Other movements***	(21,224)	(16,359)	(47,091)	-	-	(6,453)	22,126	(69,001)	(717)	(1,161)	(70,879)
	538,543	171,144	46,914	-	1,674	6,231	88,814	853,320	5,171	30,438	888,929
Stage 3											
Gross carrying amount, January 1, 2023	470,462	746,113	409,507	88,174	133,007	17,663	684,460	2,549,386	115,357	1,146,132	3,810,875
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(41,455)	(202,381)	(65,757)	-	-	(17,663)	(4,724)	(331,980)	(13,939)	(91,894)	(437,813)
Transfer from Stage 1	61,876	64,613	12,613	5,023	-	54,450	4,428	203,003	5,997	61,923	270,923
Transfer from Stage 2	-	25,790	10,289	-	-	131,258	865	168,202	275	5,368	173,845
Transfer from Stage 3	-	(72,372)	(2,563)	-	-	-	(721)	(75,656)	(2,753)	(1,258)	(79,667)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Other movements***	(3,776)	(18,454)	(13,386)	(351)	-	-	36,017	50	(4,062)	(141)	(4,153)
	443,680	543,309	350,703	89,470	121,242	185,708	253,848	1,987,960	100,875	1,118,730	3,207,565
Total											
Gross carrying amount, January 1, 2023	86,583,034	8,222,454	3,652,024	1,384,578	602,091	2,537,882	2,557,868	105,539,931	382,622	2,629,271	108,551,824
New assets purchased or originated	39,963,570	1,369,112	1,913,726	14,983	382,112	10,075,693	531,274	54,250,470	154,270	742,125	55,146,865
Assets derecognized or repaid	(38,548,944)	(423,605)	(385,236)	(89,151)	(370,654)	(723,582)	(211,375)	(40,752,547)	(37,484)	(641,304)	(41,431,335)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Other movements***	(6,757,361)	(713,734)	(1,059,886)	(256,335)	(26,446)	(208,447)	(83,066)	(9,105,275)	(110,847)	61,190	(9,154,932)
	P81,196,872	P8,454,227	P4,120,628	P1,050,699	P575,338	P11,681,546	P2,328,224	P109,407,534	P388,561	P2,789,882	P112,585,977

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*
****Includes movements in outstanding balances and foreign exchange differences*

	December 31, 2022										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Gross carrying amount,											
January 1, 2022	P57,073,351	P6,984,226	P2,715,136	P386,926	P372,833	P1,060,369	P1,617,776	P70,210,617	P262,286	P881,155	P71,354,058
New assets purchased or originated	59,565,438	1,055,254	1,561,940	55,882	440,427	2,511,679	495,969	65,686,589	111,117	858,580	66,656,286
Assets derecognized or repaid	(29,147,125)	(334,957)	(302,838)	(23,532)	(317,000)	(960,369)	(200,211)	(31,286,032)	(37,124)	(233,131)	(31,556,287)
Transfer from Stage 1	(709,377)	(218,605)	(95,866)	(7,656)	(2,641)	(128,187)	(15,008)	(1,177,340)	(14,709)	(116,537)	(1,308,586)
Transfer from Stage 2	800,000	348,743	83,342	-	-	-	1,893	1,233,978	7,053	12,578	1,253,609
Transfer from Stage 3	-	83,204	16,981	-	-	-	412	100,597	9,047	1,603	111,247
Other movements***	(2,429,840)	(623,608)	(863,585)	884,784	(27,176)	(105,349)	(92,457)	(3,257,231)	(74,443)	42,928	(3,288,746)
	85,152,447	7,294,257	3,115,110	1,296,404	466,443	2,378,143	1,808,374	101,511,178	263,227	1,447,176	103,221,581
Stage 2											
Gross carrying amount,											
January 1, 2022	1,333,746	576,085	245,887	-	-	162,944	47,968	2,366,630	16,048	55,843	2,438,521
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(14,805)	(23,119)	(29,703)	-	-	(142,679)	(8,050)	(218,356)	(1,664)	(23,316)	(243,336)
Transfer from Stage 1	709,377	117,357	81,360	-	2,641	128,187	8,870	1,047,792	3,051	30,459	1,081,302
Transfer from Stage 2	(868,053)	(451,978)	(104,322)	-	-	-	(2,638)	(1,426,991)	(12,421)	(19,678)	(1,459,090)
Transfer from Stage 3	-	8,865	12,573	-	-	-	639	22,077	798	911	23,786
Other movements***	(200,140)	(45,126)	(78,388)	-	-	(6,376)	18,245	(311,785)	(1,774)	(8,256)	(321,815)
	960,125	182,084	127,407	-	2,641	142,076	65,034	1,479,367	4,038	35,963	1,519,368
Stage 3											
Gross carrying amount,											
January 1, 2022	643,154	768,754	582,133	76,426	163,188	17,663	618,220	2,869,538	130,631	1,124,576	4,124,745
New assets purchased or originated	-	-	-	-	-	-	-	-	-		
Assets derecognized or repaid	(26,831)	(112,509)	(133,647)	-	-	-	(8,818)	(281,805)	(15,430)	(61,187)	(358,422)
Transfer from Stage 1	-	101,248	14,506	7,656	-	-	6,138	129,548	11,658	86,078	227,284
Transfer from Stage 2	68,053	103,235	20,980	-	-	-	745	193,013	5,368	7,100	205,481
Transfer from Stage 3	-	(92,069)	(29,554)	-	-	-	(1,051)	(122,674)	(9,845)	(2,514)	(135,033)
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Other movements***	25,967	(22,546)	(44,911)	4,092	(30,181)	-	86,582	19,003	(7,025)	7,373	19,351
	470,462	746,113	409,507	88,174	133,007	17,663	684,460	2,549,386	115,357	1,146,132	3,810,875
Total											
Gross carrying amount,											
January 1, 2022	59,050,251	8,329,065	3,543,156	463,352	536,021	1,240,976	2,283,964	75,446,785	408,965	2,061,574	77,917,324
New assets purchased or originated	59,565,438	1,055,254	1,561,940	55,882	440,427	2,511,679	495,969	65,686,589	111,117	858,580	66,656,286
Assets derecognized or repaid	(29,188,761)	(470,585)	(466,188)	(23,532)	(317,000)	(1,103,048)	(217,079)	(31,786,193)	(54,218)	(317,634)	(32,158,045)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Other movements***	(2,604,013)	(691,280)	(986,884)	888,876	(57,357)	(111,725)	12,370	(3,550,013)	(83,242)	42,045	(3,591,210)
	P86,583,034	P8,222,454	P3,652,024	P1,384,578	P602,091	P2,537,882	P2,557,868	P105,539,931	P382,622	P2,629,271	P108,551,824

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*
****Includes movements in outstanding balances and foreign exchange differences*

Movements in allowance for impairment losses as at December 31, 2023, 2022 and 2021 for investment in associate and non-financial assets are summarized as follows (amounts in thousands):

	December 31, 2023				
	Investment in Associate (Note 13)	**Property and Equipment** (Note 14)	**Investment Properties** (Note 15)	**Other Assets** (Note 16)	**Total**
Balance at beginning of year	**P5,926**	**P6,156**	**P201,904**	**P4,611,829**	**P4,825,815**
Provision for impairment losses for the year	**-**	**(894)**	**58,731**	**(83,494)**	**(25,657)**
Write-off	**-**	**-**	**(10,677)**	**(90,279)**	**(100,956)**
Balance at end of year	**P5,926**	**P5,262**	**P249,958**	**P4,438,056**	**P4,699,202**

	December 31, 2022				
	Investment in Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning of year	P5,926	P6,156	P191,276	P4,615,905	P4,819,263
Provision for impairment losses for the year	-	-	10,628	(4,076)	6,552
Balance at end of year	P5,926	P6,156	P201,904	P4,611,829	P4,825,815

	December 31, 2021				
	Investment in Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning of year	P5,926	P6,156	P179,816	P4,615,724	P4,807,622
Provision for impairment losses for the year	-	-	11,460	181	11,641
Balance at end of year	P5,926	P6,156	P191,276	P4,615,905	P4,819,263

18. Deposit Liabilities

Long-term Negotiable Certificates of Time Deposit (LTNCTD)

On March 17, 2020, the Bank issued unsecured LTNCTD with 4.5% fixed interest rate at par value of P5.0 billion and maturing on September 17, 2025. The issuance of the LTNCTD was approved by the BOD on June 25, 2019 and by the BSP on October 31, 2019. The issuance was listed in the Philippine Dealing and Exchange Corporation.

Reserve Requirement

On March 31, 2020, the BSP issued Circular No. 1082 reducing the reserve requirement to 12.0% effective on the reserve week starting on April 3, 2020. On June 23, 2023, the BSP reduced the reserve requirement to 9.5% effective on the reserve week starting on June 30, 2023, through the issuance of BSP Circular No. 1175.

As at December 31, 2023 and 2022, the Bank is in compliance with such reserve requirements. Due from BSP demand deposit account amounting to P17.1 billion and P18.7 billion as at December 31, 2023 and 2022, respectively, is available for meeting these reserve requirements as reported to BSP.

Due from BSP-Overnight Deposit Accounts earned annual interest rates ranging from 5.0% to 6.0% in 2023, from 1.5% to 5.0% in 2022 and interest rate of 1.5% in 2021. Due from BSP-Term Deposit Accounts earned annual interest rates ranging from 6.4% to 6.8%, from 1.7% to 6.4%, and from 1.7% to 2.0% in 2023, 2022, and 2021, respectively. Interest income on Due from BSP amounted to P364.2 million, P264.7 million, and P226.4 million in 2023, 2022, and 2021, respectively.

Interest expense on deposit liabilities follows:

	2023	2022	2021
Demand	**P67,813,429**	P58,010,393	P53,357,209
Savings	**2,174,301,309**	631,899,858	276,548,245
Time	**502,742,516**	118,116,108	89,031,236
LTNCTD	**226,323,900**	226,323,900	226,323,900
	P2,971,181,154	P1,034,350,259	P645,260,590

Peso-denominated deposits are subject to annual interest rates ranging from 0.1% to 6.5% in 2023, from 0.1% to 5.5% in 2022, and from 0.1% to 5.3% in 2021. Foreign currency-denominated deposits are subject to annual interest rates ranging from 0.1% to 5.5% in 2023, from 0.1% to 4.5% in 2022 and from 0.1% to 1.3% in 2021.

Insurance Expense
This account pertains to the PDIC insurance on deposits amounting to P345.1 million, P348.4 million, and P334.8 million in 2023, 2022, and 2021, respectively.

19. Bills Payable

This account consists of SSURA and short-term borrowings from local and foreign banks. As at December 31, 2023 and 2022, there were no short-term borrowings from local and foreign banks and no financial assets pledged and transferred under SSURA transactions.

Interest expense consists of:

	2023	2022	2021
SSURA	**P24,610,494**	P -	P -
Foreign banks	**128,142**	-	-
Local banks	**104,836**	325,200	223,871
Other borrowings	**24,254,796**	46,716,357	16,467,494
	P49,098,268	P47,041,557	P16,691,365

SSURA were subject to annual interest rates ranging from 5.3% to 5.7% in 2023.

Peso-denominated short-term borrowings from local banks are subject to annual interest rates ranging from 1.9% to 2.5% and from 1.7% to 2.5% in 2022 and 2021, respectively. There were no peso-denominated short-term borrowings from local banks in 2023. Foreign currency denominated short-term borrowings from local banks are subject to annual interest rates ranging from 4.6% to 4.9% and from 0.2% to 0.5% in 2023 and 2022, respectively. There were no foreign currency denominated short-term borrowings from local banks in 2021.

Foreign currency denominated short-term borrowings from foreign banks are subject to annual interest rates ranging from 4.8% to 5.1% in 2023. There were no foreign currency denominated short-term borrowings from foreign banks in 2022 and 2021.

In 2023, 2022 and 2021, interest expense on other borrowings includes interest expense on tax settlement amounting to P24.2 million, P46.7 million and P16.3 million, respectively.

20. Bonds Payable

On July 29, 2022, the Bank issued P7.5 billion fixed rate bonds due on July 29, 2024. The bonds were priced at par with a coupon rate of 5.0263% payable on a quarterly basis commencing on October 29, 2022. The bonds were listed in Philippine Dealing and Exchange Corporation. Transaction costs on the issuance of bonds amounted to P72.4 million.

Interest expense on bonds payable amounted to P413.0 million and P173.8 million in 2023 and 2022, respectively. As at December 31, 2023 and 2022, unamortized bond transaction costs amounted to P21.7 million and P57.7 million, respectively.

21. Accrued Interest, Taxes and Other Expenses

This account consists of accruals for the following:

	Note	**2023**	2022
Interest payable:			
Deposit liabilities	*18*	**P292,928,209**	P156,046,469
Bonds payable	*20*	**52,570,178**	52,570,178
		345,498,387	208,616,647
Employee and other benefits		**222,122,042**	262,586,345
Insurance		**183,357,397**	172,000,614
Penalties		**171,456,762**	171,456,762
Taxes payable		**112,892,733**	107,084,855
Fees and commissions		**101,114,869**	60,261,523
Utilities expenses		**53,734,548**	32,496,501
Management and professional fees		**46,980,799**	25,378,186
Equipment-related expenses		**38,508,624**	22,162,515
Security		**23,599,389**	11,425,088
Building repairs and maintenance		**20,033,164**	20,775,993
Rent		**4,600,248**	4,768,149
Others		**63,290,363**	66,752,642
		P1,387,189,325	P1,165,765,820

Other accrued expenses include accruals for marketing and advertising, janitorial, messengerial, and various expenses attributable to the Bank's operations.

22. Other Liabilities

This account consists of:

	Note	**2023**	2022
Accounts payable		**P1,431,420,389**	P1,195,861,619
Bills purchased - contra	*12, 33*	**951,269,458**	1,251,721,161
Lease liability	*30*	**593,364,435**	490,913,094
Due to preferred shareholders	*24*	**290,118,112**	282,393,274
Other credits-dormant		**233,264,121**	221,250,979
Due to Treasurer of the Philippines		**213,714,158**	141,524,444
Withholding tax payable		**169,251,673**	130,999,174
Retirement liability	*29*	**126,139,504**	-
Unclaimed balances		**35,780,120**	77,021,937
ECL on off-balance sheet exposures	*17*	**23,743,549**	33,785,184
Miscellaneous		**125,115,684**	124,858,500
		P4,193,181,203	P3,950,329,366

Accounts payable mainly pertains to advance loan payments from borrowers, inward and outward remittances received by the Bank pending payment or application to designated deposit accounts.

Other credits - dormant account includes long outstanding Managers' Checks that are yet to be encashed by the payees, which have been outstanding for more than one (1) year from the dates of checks.

ECL on off-balance sheet exposures relate to committed credit line, credit card lines, outstanding guarantees and unused commercial letter of credits (see Note 38).

Miscellaneous include deposits for keys of safety deposit boxes, SSS payable, other provisions and unclaimed salaries of resigned employees.

23. Maturity Profile of Assets and Liabilities

The following tables present the maturity profile of the assets and liabilities of the Bank based on the amounts to be recovered or settled within and/or after more than 12 months after the reporting period (amounts in thousands):

		2023			2022		
	Note	Within 12 Months	Over 12 Months	Total	Within 12 Months	Over 12 Months	Total
Financial Assets - gross							
COCI		**P3,500,645**	**P -**	**P3,500,645**	P2,735,171	P -	P2,735,171
Due from BSP	*18*	**24,275,196**	**-**	**24,275,196**	23,678,666	-	23,678,666
Due from other banks		**1,055,497**	**-**	**1,055,497**	1,044,396	-	1,044,396
Interbank loans receivable and SPURA	*8*	**20,114,496**	**-**	**20,114,496**	18,381,226	-	18,381,226
Financial assets at FVPL:	*9*						
Private debt securities		**-**	**190,505**	**190,505**	-	344,809	344,809
Government securities held-for-trading		**180,603**	**-**	**180,603**	7,259	-	7,259
Derivative assets		**-**	**27,685**	**27,685**	1,056	27,877	28,933
Financial assets at FVOCI:	*10*						
Government securities		**-**	**10,850,048**	**10,850,048**	-	5,619,272	5,619,272
Equity securities		**-**	**193,757**	**193,757**	-	185,779	185,779
Investment securities at amortized cost - gross:	*11*						
Government securities		**16,903,505**	**33,408,145**	**50,311,650**	14,565,715	34,884,807	49,450,522
Private debt securities		**78,770**	**2,086,893**	**2,165,663**	569,353	2,194,963	2,764,316
Loans and receivables - gross:	*12*						
Receivable from customers:							
Term loans		**30,997,471**	**50,199,401**	**81,196,872**	35,186,203	51,396,830	86,583,033
Agri-agra loans		**4,207,708**	**7,473,838**	**11,681,546**	622,163	1,915,724	2,537,887
Housing loans		**741,214**	**7,713,089**	**8,454,303**	947,248	7,275,361	8,222,609
Auto loans		**641,992**	**3,481,423**	**4,123,415**	705,361	2,946,664	3,652,025
Bills purchased, import bills and trust receipts		**1,050,699**	**-**	**1,050,699**	1,384,578	-	1,384,578
Direct advances		**477,724**	**99,488**	**577,212**	506,857	98,471	605,328
Others		**1,721,579**	**647,296**	**2,368,875**	1,998,214	599,413	2,597,626
Accrued interest receivable		**1,443,071**	**-**	**1,443,071**	1,279,697	-	1,279,697
Accounts receivable		**1,055,139**	**-**	**1,055,139**	1,057,747	-	1,057,747
Sales contract receivables		**123,040**	**265,521**	**388,561**	121,467	261,155	382,622
Unquoted debt securities		**291,578**	**-**	**291,578**	291,578	-	291,578
RCOCI		**93**	**-**	**93**	249	-	249
Investment in associate	*13*	**-**	**75,395**	**75,395**	-	75,395	75,395
		108,860,020	**116,712,484**	**225,572,504**	105,084,204	107,826,520	212,910,724
Non-financial Assets - gross							
Property and equipment	*14*	**-**	**4,910,145**	**4,910,145**	-	4,451,697	4,451,697
Investment properties	*15*	**-**	**4,802,601**	**4,802,601**	-	4,426,807	4,426,807
Deferred tax assets	*32*	**-**	**475,333**	**475,333**	-	612,090	612,090
Other assets	*16*	**2,351,268**	**6,332,408**	**8,683,676**	1,943,017	6,293,209	8,236,226
		2,351,268	**16,520,487**	**18,871,755**	1,943,017	15,783,803	17,726,820
		P111,211,288	**P133,232,971**	**P244,444,259**	P107,027,221	P123,610,323	P230,637,544
Less:							
Allowance for credit and impairment losses	*17*			**P7,731,347**			P8,298,298
Accumulated depreciation and amortization	*14, 15, 16*			**4,965,609**			4,748,245
Unearned interest	*12*			**45,388**			43,155
Accumulated equity in net loss	*13*			**33,936**			29,947
Total				**P231,667,979**			P217,517,899

		2023			2022		
	Note	Within 12 Months	Over 12 Months	Total	Within 12 Months	Over 12 Months	Total
Financial Liabilities							
Deposit liabilities:	*18*						
Demand		**P54,569,494**	**P -**	**P54,569,494**	P51,792,970	P -	P51,792,970
Savings		**109,667,913**	**-**	**109,667,913**	101,651,553	-	101,651,553
Time		**16,207,259**	**431,283**	**16,638,542**	16,973,625	819,672	17,793,297
LTNCTD		**-**	**5,029,420**	**5,029,420**	-	5,029,420	5,029,420
Financial liabilities at FVPL	*9*	**6,202**	**-**	**6,202**	283	-	283
Bonds payable	*20*	**7,478,265**	**-**	**7,478,265**	-	7,442,251	7,442,251
Manager's checks		**1,846,500**	**-**	**1,846,500**	661,454	-	661,454
Accrued interest and other expenses*	*21*	**1,047,574**	**-**	**1,047,574**	791,326	-	791,326
Other liabilities**	*22*	**3,174,414**	**699,632**	**3,874,046**	3,189,842	595,704	3,785,546
		193,997,621	**6,160,335**	**200,157,956**	175,061,053	13,887,047	188,948,100
Non-financial Liabilities							
Accrued taxes and other expense payable	*21*	**339,615**	**-**	**339,615**	374,440	-	374,440
Other liabilities	*22*	**192,995**	**126,140**	**319,135**	164,784	-	164,784
		532,610	**126,140**	**658,750**	539,224	-	539,224
		P194,530,231	**P6,286,475**	**P200,816,706**	P175,600,277	P13,887,047	P189,487,324

**amounts exclude accruals of employee and other benefits, taxes payable and rent*
***amounts exclude withholding tax payable, retirement liability and ECL of loan commitments and financial guarantees*

Refer to Note 5 for the discussions on the Bank's policy on liquidity risk and funding management.

24. Capital

The Bank's capital stock consists of the following as at December 31:

	Shares			Amount		
	2023	2022	2021	**2023**	2022	2021
Authorized Capital Stock						
Common stock, P10 par value	**1,702,511,470**	1,702,511,470	1,702,511,470	**P17,025,114,700**	P17,025,114,700	P17,025,114,700
Preferred stock, P10 par value	**455,000,000**	455,000,000	455,000,000	**4,550,000,000**	4,550,000,000	4,550,000,000
	2,157,511,470	2,157,511,470	2,157,511,470	**P21,575,114,700**	P21,575,114,700	P21,575,114,700
Issued and Outstanding						
Common stock	**1,403,013,920**	1,403,013,920	1,122,411,120	**P14,030,139,200**	P14,030,139,200	P11,224,111,200
Preferred stock	**416,666,670**	416,666,670	416,666,670	**4,166,666,700**	4,166,666,700	4,166,666,700
	1,819,680,590	1,819,680,590	1,539,077,790	**P18,196,805,900**	P18,196,805,900	P15,390,777,900
Paid-in Surplus						
Common stock				**P5,995,503,421**	P5,995,503,421	P5,542,922,930
Preferred stock				**1,233,771,939**	1,233,771,939	1,233,771,939
				P7,229,275,360	P7,229,275,360	P6,776,694,869

The reconciliation of the number of shares outstanding at the beginning and at the end of the years follow:

	Common Shares			Preferred Shares		
	2023	2022	2021	**2023**	2022	2021
Balance as at January 1	**1,403,013,920**	1,122,411,120	112,241,112	**416,666,670**	416,666,670	-
Issuance during the year	**-**	280,602,800	-	**-**	-	41,666,667
Adjustment for 10-to-1 stock split	**-**	-	1,010,170,008	**-**	-	375,000,003
Balance as at December 31	**1,403,013,920**	1,403,013,920	1,122,411,120	**416,666,670**	416,666,670	416,666,670

Preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders after 5 years from issue date, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of the Bank and subject to the other terms and conditions as may be fixed by the BOD, required under regulations, and to the extent permitted by applicable law.

The Bank has outstanding liability for the unpaid portion of the redemption price of preferred shares amounting to P290.1 million and P282.4 million as at December 31, 2023 and 2022, respectively, which is recorded as "Due to preferred shareholders" account under "Other liabilities" in Note 22 to the financial statements. As at December 31, 2023 and 2022, the related sinking fund which is recorded under "Other assets" account amounting to P290.1 million and P282.4 million, respectively, has been set up to fund the eventual settlement of this liability (see Note 16).

On April 8, 2010, the SEC approved the Bank's application for the increase in authorized capital stock from P6.0 billion, divided into 52.5 million common shares and 7.5 million preferred shares both with the par value of P100 each, to P22.0 billion divided into 212.5 million common shares and 7.5 million preferred shares both with the par value of P100 each. The related amendment to the Articles of Incorporation of the Bank relative to its proposed increase in authorized capital stock from P6.0 billion to P22.0 billion was approved by BSP and the SEC on March 26, 2010 and April 8, 2010, respectively.

During its meeting on January 18, 2011, the BOD of the Bank passed a resolution approving the following:

- the sale of fully paid shares of Valiant Ventures & Development Holdings, Inc. (Valiant) in the Bank to SMPI and SMCRP amounting to 2,800,000 shares and 1,972,735 shares, respectively; and
- the assignment of subscription rights of Valiant to SMPI amounting to 523,726 shares (Tranche 1) and 4,713,539 shares (Tranche 2).

In connection to this, the Bank secured the approval of the MB of BSP for such sale of shares and assignment of subscription of the shares of Valiant. This is mandated in BSP's MORB since the total shareholdings of Valiant entitles it to a board seat. The Board also approved that the sale of shares and assignment of subscription rights be recorded in the stock and transfer book of the Bank only after the approval of the MB has been obtained.

On March 30, 2011, the MB of BSP approved the sale of shares of Valiant. In 2011, the Bank's subscribed common stock totaling 59,741,113 shares have been fully paid in accordance with the subscription agreement.

On April 30, 2019, the BOD and the Stockholders approved to amend the Articles of Incorporation to deny pre-emptive rights. The said amendment was approved by the BSP on August 16, 2019 and by the SEC on September 5, 2019.

On January 30, 2020, the BOD and the Stockholders approved the amendment of the Articles of Incorporation to (a) reflect that the Bank's terms of existence shall be perpetual (b) retire 4,248,853 redeemed preferred shares thereby decreasing the Bank's authorized capital stock to P21,575,114,700 (c) reclassify 3,251,147 existing unissued preferred shares into new unissued preferred shares and (d) reclassify 42,248,853 existing unissued common shares into new unissued preferred shares. The amendments resulted in total new preferred shares of 45,500,000 with par value of P100 and decrease in common shares to 170,251,147 with par value of P100. These were approved by the BSP on May 21, 2020 and by the SEC on June 9, 2020.

On January 26, 2021, the BOD approved the issuance of 41,666,667 preferred shares to San Miguel Corporation at P132.0 per share. These shares will be issued out of the unissued Series 1 Preferred Shares of the Bank. On March 8, 2021, the Bank received from BSP a "No Objection" to the provisions in the indicative terms and conditions of these Preferred Shares, provided that the Bank shall continuously comply with the regulation for the inclusion of preferred shares as part of Additional Tier 1 capital under Appendix 59, Risk-based Capital Adequacy Framework for the Philippines Banking System, of the Manual Regulations for Banks. On June 29, 2021, the BOD approved the change of investor for preferred shares from San Miguel Corporation to SMC Equivest Corporation, a wholly owned subsidiary of San Miguel Corporation and an existing stockholder of the Bank. On August 5, 2021, the Bank issued 41,666,667 Series 1 Preferred Shares to SMC Equivest Corporation at P132.0 per share. Transaction costs on the issuance of preferred shares amounting to P99.6 million were charged against "Paid-in surplus".

On May 25, 2021 and July 8, 2021, the BOD and the Stockholders, respectively, approved the amendment of the Bank's Articles of Incorporation to the par value of common and preferred shares from One Hundred Pesos (P100.0) to Ten Pesos (P10.0). The amendment resulted in increase in common shares from 170,251,147 to 1,702,511,470 and increase in preferred shares from 45,500,000 to 455,000,000. This amendment was approved by the BSP on October 4, 2021 and by the SEC on November 2, 2021.

On October 28, 2021 and November 9, 2021, the BOD and Stockholders, respectively, approved the primary public offer and sale of up to 280,700,000 common shares from unissued capital stock. On February 15 and February 16, 2022, the SEC and the PSE, respectively, approved the application for the Initial Public Offer of the Bank. On March 31, 2022, the Bank listed its common shares with the PSE. The Bank offered and issued new common shares to the public up to 280,602,800 at P12.0 per share. Transaction costs on the issuance of common shares amounting to P108.6 million were charged against "Paid-in surplus".

On October 28, 2021 and November 9, 2021, the BOD and the Stockholders also approved the amendment to the Articles of Incorporate to align sections around the sale, assignment, and disposal of shares with the lock up requirements of the Philippine Stock Exchange. The By-laws were also amended to update sections on stockholders, the Board of Directors, certificates of stock and the transfer of shares of stock. On December 31, 2021, the BSP approved the request of the Bank to amend its Articles of Incorporation and By-laws. The amendment on the Bank's Articles of Incorporation and By-laws was approved by the SEC on January 28, 2022.

On February 22, 2022 and April 29, 2022, the BOD and the Stockholders, respectively, approved the amendments to the Articles of Incorporation to change its purpose from a Commercial Bank to a Universal Bank pursuant to BSP MB Resolution No. 1798 dated December 23, 2021. The By-laws were also amended to comply with Sections 28 and 52 of the Revised Corporation Code. The amendment on the Bank's Articles of Incorporation and By-laws was approved by the BSP on June 29, 2022 and by the SEC on August 9, 2022.

Subject to the approval of the relevant government regulatory agencies, the Stockholders and BOD approved on April 25, 2023 and February 28, 2023, respectively, the amendment of the Articles of Incorporation to increase the Bank's authorized capital stock from P21,575,114,700 (divided into 1,702,511,470 common shares and 455,000,000 preferred shares) to P28,198,773,840 (divided into 2,364,877,384 common shares and 455,000,000 preferred shares).

On February 28, 2023, the BOD approved the amendment to the By-laws to (a) change the schedule of the annual stockholders' meeting from April to May, and (b) comply with Section 132 of the MORB, Section 29 and 34 of the Revised Corporation Code and Section 3 of the SEC Memorandum Circular No. 20 series of 2020. Subsequently, the Stockholders of the Bank approved the same on April 25, 2023.

Equity Restructuring

On March 29, 2021, the BOD approved the Bank to undergo equity restructuring to wipe out the deficit amounting to P51,156,715 as at December 31, 2020 through the use of the Bank's Paid-in surplus.

On July 12, 2021, the Bank received from BSP a "No Objection" response to its application for equity restructuring with the SEC, subject to the (i) Bank's compliance with the Commission's other requirements; and (ii) condition that the Bank shall provide BSP a certified true copy of SEC's approval of the equity restructuring within five (5) days from receipt thereof.

On October 14, 2021, the SEC approved the equity restructuring to wipe-out the deficit as at December 31, 2020 amounting to P51,156,715 against the Paid-in surplus of P5.6 billion subject to the conditions that the remaining Paid-in surplus of P5.5 billion cannot be applied for future losses that may be incurred by the Bank without prior approval of the SEC.

Capital Management

The Bank's capital base, comprised of capital stock, paid-in surplus and surplus reserves, is actively being managed to cover risks inherent in the Bank's operations. In 2009, SMPI and SMCRP infused additional capital amounting to P3.3 billion in the form of paid-up common stock. On February 18, 2010 and March 1, 2010, major stockholders infused P271.9 million and P2.1 billion, respectively, into the Bank in the form of advances for future stock subscriptions, which shall be treated as part of the Bank's paid-up capital upon the SEC's approval thereon and on the increase in the Bank's authorized capital stock.

On August 5, 2021, SMC Equivest Corporation infused additional capital amounting P5.5 billion in the form of paid-up preferred stock. This is in support of the application of the Bank for an upgrade of its commercial banking license to a universal banking license. On March 31, 2022, the Bank listed its common shares with the PSE and raised P3.4 billion in additional capital as part of the requirements for the upgrade.

Under Section 121 of the MORB, *Minimum Required Capital,* the minimum capitalization requirement applicable for the Bank (universal banks with more than 100 branches) amounted to P20.0 billion. The Bank achieved this level with the August 2021 infusion of additional capital mentioned above. On December 23, 2021, the BSP approved the upgrade of the Bank's banking license from commercial bank to universal bank (UB) subject to certain regulatory requirements. On October 24, 2022, the Bank received from the BSP the Certificate of Authority to Operate as a Universal Bank dated October 4, 2022. As at December 31, 2023 and 2022, the reported unimpaired capital of the Bank amounted to P29.7 billion and P26.9 billion, respectively.

The guidelines on Bank's ICAAP under Section 130 and Appendices 94, 95 and 96 of the MORB supplements the BSP's risk-based capital adequacy framework. In compliance with this new circular, the Bank has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Bank. The level and structure of capital are assessed and determined in light of the Bank's business environment, plans, performance, risks and budget; as well as regulatory edicts. The deadline for submission of ICAAP documents is March 31 of each year.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of Regulatory Accounting Principles which differ from PFRSs in some respects.

The BSP sets and monitors compliance to minimum capital requirements for the Bank. In implementing current capital requirements, BSP issued Circular 538, *Revised Risk-Based Capital Adequacy Framework for Universal and Commercial Banks and their Subsidiary Banks and Quasi-Banks,* which implemented the Revised Risk-Based Capital Adequacy Framework under Basel II effective July 1, 2007. It requires the Bank to maintain a prescribed risk-based capital adequacy ratio (expressed as a percentage of qualifying capital to risk-weighted assets) of not less than 10.0%.

Under Section 125 and Appendix 59 of the MORB, the regulatory qualifying capital of the Bank consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprised common stock, additional paid-in capital and surplus. Tier 2 composed upper tier 2 and lower tier 2. Upper tier 2 consists of preferred stock, revaluation increment reserve, general loan loss provision and deposit for common stock subscription. Lower tier 2 consists of the unsecured subordinated debt.

The following are the minimum capital requirements for UBs and KBs and their subsidiary banks and quasi-banks (QBs):

- 6.0% Common Equity Tier 1 (CET1)/Risk-Weighted Assets (RWAs)
- 7.5% Tier 1 Capital/RWAs, and
- 10.0% Total Qualifying Capital (Tier1 plus Tier2)/RWAs

The Qualifying Capital must consist of the sum of the following elements, net of required deductions: Tier 1-'going concern' [CET1 plus Additional Tier 1] and Tier 2 - 'gone concern.' A bank/quasi-bank must ensure that any component of capital included in qualifying capital complies with all the eligibility criteria for the particular category of capital in which it is included. The Circular further describes the elements/criteria that a domestic bank should meet for each capital category. Regulatory adjustments and calculation guidelines for each capital category are also discussed.

In conformity with the Basel III standards, a Capital Conservation Buffer (CCB) of 2.5% of RWAs, comprised of CET1 capital, has been required of U/KBs and their subsidiary banks and quasi-banks. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down by banks to absorb losses during financial and economic stress.

The CET1 capital requirement includes as an additional capital buffer, the Countercyclical capital buffer (CcyB) of zero percent (0%) subject to upward adjustment to a rate determined by the MB when systemic conditions warrant but not to exceed two and a half percent (2.5%). Any increases in the CcyB rate shall be effective 12 months after announcement while decreases shall be effective immediately.

The countercyclical buffer requirement will extend the size of the capital conservation buffer. A bank shall not be subject to any restriction on distribution if the following conditions are met:

- Has positive retained earnings as of the preceding quarter and has complied with the requirements on the declaration of dividends as provided in the MORB;

- Has CET1 of more than the total required (minimum CET1 ratio of 6.0% plus CCB of 2.5% plus CcyB at the rate determined by the MB) before distribution; and

- Has complied with the minimum capital ratios (CET1 ratio of 6.0%, Tier 1 ratio of 7.5% and 10.0% CAR) after the distribution.

Otherwise, the policy framework of the capital conservation buffer on the restriction on distributions shall apply, except for drawdowns. Thresholds on the restriction on distribution shall consider the CcyB requirement as an extension of the capital conservation buffer.

As at December 31, 2023 and 2022, based on the CAR reports submitted to BSP, the Bank's CAR of 19.88% and 17.97%, respectively, exceeded the minimum 10.0% requirement as computed and monitored using the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios"), based on the Basel III framework. The increase in the CAR ratio was primarily due to the increase in undivided profits and decrease in the credit risk weighted amount of contingent account (domestic standby letters of credit).

The breakdown of the Bank's risk-weighted assets as at December 31, 2023 and 2022 as reported to BSP follows (amounts in thousands):

	2023	2022
Credit risk-weighted assets	**P131,091,150**	P132,556,255
Operational risk-weighted assets	**12,140,350**	10,450,670
Market-risk weighted assets	**313,854**	120,664
	P143,545,354	P143,127,589

The Bank is also required to maintain a minimum Tier 1 capital ratio of 7.5% in 2023 and 2022 (in millions) as reported to BSP which was compiled as per below:

	2023	2022
Tier 1 capital	**P27,396**	P24,646
Tier 2 capital	**1,139**	1,076
Total qualifying capital	**P28,535**	P25,722
CET1 capital	**P21,996**	P19,245
Risk-weighted assets	**P143,545**	P143,128
CET1 ratio	**15.32%**	13.45%
Tier 1 capital ratio	**19.09%**	17.22%
Total capital ratio	**19.88%**	17.97%

Certain adjustments are made to PFRSs results and reserves to calculate CAR which included the Bank's accounting of the following transactions that require different accounting treatments under PFRSs:

a) non-performing assets and operating losses of TRB capitalized as miscellaneous assets and subject to staggered allowance provisioning;

b) accounting for investment properties.

The recognition of the Bank for prudential reporting is based on the accounting treatment approved by BSP (see Notes 15 and 16).

Under Section 129 of the MORB Basel III, leverage ratio is designed to act as supplementary measure to the risk-based capital requirements. It is defined as the capital measure (numerator) divided by the exposure measure (denominator). The leverage ratio shall not be less than 5.0% computed on both solo (head office plus branches) and consolidated bases (parent bank plus subsidiary financial allied undertakings but excluding insurance companies).

The Bank exceeded the minimum leverage ratio of 5.0% as at December 31, 2023 and 2022 which was complied as per below breakdown (amounts in thousands):

	2023	2022
Capital measure	**P27,396,326**	P24,645,529
Exposure measure	**246,764,987**	235,849,588
Leverage ratio	**11.10%**	10.45%

The LCR framework under Section 145 of the MORB promotes short-term resilience of liquidity risk profile of a bank. The LCR is the ratio of HQLAs to total net cash outflows. Under normal situation, the value of the ratio should be no lower than 100.0% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against the potential onset of liquidity stress. The compliance with the LCR minimum requirement commenced on January 01, 2018 and the prescribed minimum shall be set initially at 90% for 2018 and raised to the minimum level of 100% on January 01, 2019.

Based on the LCR reports submitted to the BSP as at December 31, 2023 and 2022, the Bank's LCR were 213.9% and 182.7%, respectively, which were above the prescribed minimum requirement set at 100.0%.

While the NSFR promotes long-term resilience of banks against liquidity risk and maintains stable funding profile in relation to the composition of its assets and off-balance sheet activities. The implementation of the minimum NSFR was phased-in, banks undergone observation period from July 1, 2018 up to December 31, 2018 while actual implementation commenced on January 01, 2019. The NSFR is the ratio of Bank's available stable funding to its required stable funding and shall maintain at least 100.0% at all times.

As at December 31, 2023 and 2022, the reported NSFR of 164% and 154%, respectively, exceeded the required minimum of 100%.

This applies to UB/KBs as well as their subsidiary banks and quasi-banks with the framework anchored on the international standards issued by the Basel Committee on Banking Supervision known as the Basel 3 reforms.

25. Surplus Reserve

	2023	2022	2021
Reserve for general provision - special reserve	**P877,491,849**	P775,206,634	P556,655,007
Reserve for trust business	**157,512,612**	148,200,862	139,151,260
Reserve for self-insurance	**60,000,000**	60,000,000	60,000,000
	P1,095,004,461	P983,407,496	P755,806,267

Reserve for General Provision - Special Reserve

The BSP, through Circular No. 1011, *Guidelines on the Adoption of the PFRS 9*, requires appropriation of the Bank's retained earnings in case the computed allowance for credit losses on loans based on PFRS 9 is less than the BSP required 1.0% general provision on outstanding Stage 1 on-balance sheet loans, except for accounts considered as risk-free under existing regulations. Additional appropriation for reserve for general provision amounted to P102.3 million, P218.6 million, and P347.8 million in 2023, 2022 and 2021, respectively.

Reserve for Trust Business

In compliance with BSP regulations, 10.0% of the Bank's profit from trust business is appropriated to surplus reserve. This yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Bank's authorized capital stock. Additional appropriation for reserve for trust business amounted to P9.3 million, P9.0 million, and P12.4 million in 2023, 2022 and 2021, respectively.

Reserve for Self-insurance
Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation and other unlawful acts of the Bank's personnel or third parties. No additional appropriation for Reserve for self-insurance was made in 2023, 2022, and 2021.

26. Interest Income on Debt Securities

This account consists of:

	Note	**2023**	2022	2021
Investment securities at amortized cost:	*11*			
Government securities		**P1,716,340,695**	P1,370,841,465	P908,591,924
Private debt securities		**85,656,947**	100,869,054	154,337,125
Financial assets at FVOCI:	*10*			
Government securities		**445,722,527**	204,988,977	168,875,905
Private debt securities		**-**	5,085,038	19,758,785
		2,247,720,169	1,681,784,534	1,251,563,739
Financial assets at FVPL:	*9*			
Government securities held for trading		**21,561,207**	4,603,469	14,420,446
		P2,269,281,376	P1,686,388,003	P1,265,984,185

Foreign currency-denominated investment securities at amortized cost bear EIRs ranging from 0.8% to 5.3% in 2023, from 0.8% to 3.7% in 2022 and from 0.8% to 3.4% in 2021. Peso-denominated investment securities at amortized cost bear EIRs ranging from 2.3% to 8.1% in 2023 and from 1.4% to 8.1% in 2022 and 2021.

Foreign currency-denominated financial assets at FVOCI bear EIRs ranging from 2.6% to 4.5%, from 0.9% to 2.8%, and from 0.02% to 2.9%, respectively, in 2023, 2022, and 2021. Peso-denominated financial assets at FVOCI bear EIRs ranging from 3.6% to 6.9% in 2023, from 3.6% to 6.7% in 2022, and from 2.1% to 6.6% in 2021.

Foreign currency-denominated financial assets at FVPL bear annual interest rates ranging from 1.6% to 8.6% in 2023, from 0.2% to 8.6% in 2022, and from 0.9% to 8.6% in 2021. Peso-denominated financial assets at FVPL bear annual interest rates ranging from 2.6% to 9.3%, from 0.6% to 8.1%, and from 0.7% to 8.1% in 2023, 2022, and 2021, respectively.

27. Service Charges, Fees and Commissions

Service Charges, Fees and Commissions - Income
This account consists of:

	2023	2022	2021
Credit card fees	**P179,629,720**	P147,516,114	P115,655,338
Trust income	**174,904,628**	152,971,718	139,219,456
Service charges	**157,871,633**	148,551,460	131,070,951
Underwriter and arranger's fees	**148,709,683**	95,900,297	-
Letters of credit fees	**77,530,188**	122,780,721	36,248,747
Fees and commissions	**55,744,047**	48,792,533	26,587,398
Remittance fees	**37,065,138**	41,087,314	52,169,552
Penalty charges	**34,546,673**	31,346,781	8,098,809
Commitment fees	**10,144,513**	55,783,132	11,511,432
Telegraphic transfer fees	**3,375,067**	2,715,963	2,480,761
Others	**6,858,195**	10,185,844	8,085,308
	P886,379,485	P857,631,877	P531,127,752

Service charges include charges on loans, ATM fees and deposit taking-related activities.

Underwriter and arranger's fees are earned by the Bank as compensation for underwriting a public offering, placing an issue in the market or arranging a private placement of debt.

Others include commission on acceptance fee, insurance, auto and housing loans processing fee and sale of demand drafts.

Service Fees and Commissions - Expenses
This account consists of:

	2023	2022	2021
Transaction and service fees	**P273,919,598**	P187,294,357	P141,375,266
Mastercard fees	**77,654,916**	59,034,910	48,134,742
Fees and commissions	**58,759,010**	43,533,852	36,997,921
Others	**7,590,497**	3,466,436	3,198,544
	P417,924,021	P293,329,555	P229,706,473

Others include processing fees, handling fees and various other charges.

28. Trading and Investment Securities Gains (Losses) - net

This account consists of realized and unrealized gains (losses) from the following securities:

	Note	**2023**	2022	2021
Financial assets and liabilities at FVPL:				
Debt securities:				
Unrealized	*9*	**P22,810,265**	P3,032,696	(P4,189,634)
Realized		**(19,188,811)**	(32,249,257)	(5,635,758)
Equity securities:				
Realized		**12,535**	-	-
Financial assets at FVOCI	*10*	**6,964,361**	-	(68,883,753)
		P10,598,350	(P29,216,561)	(P78,709,145)

29. Employee Benefits

Compensation and Fringe Benefits
The details of the following accounts in 2023, 2022 and 2021 follow:

	2023	2022	2021
Salaries and allowances	**P1,326,204,346**	P1,097,273,510	P988,536,430
Bonuses	**460,950,000**	349,320,000	375,320,000
Employee benefits	**337,516,981**	293,658,369	285,629,019
Retirement benefits	**91,753,151**	123,585,814	144,948,491
Overtime	**41,971,618**	40,973,832	26,535,151
	P2,258,396,096	P1,904,811,525	P1,820,969,091

Retirement Plan
The Bank has a funded noncontributory defined benefit retirement plan covering its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using projected unit credit method.

The Bank's retirement benefits are based on the employee's years of service and a percentage of his gross monthly salary. An employee shall be retired and shall be entitled to full retirement benefits upon his attainment of 60 years of age.

An employee, upon reaching the age of 50 years and with the completion of no less than 10 years of service as a regular employee and with 30 days prior notice to the Bank, may retire at his option and shall be entitled to the retirement benefits.

An employee who has at least 10 years of service as a regular employee, but who has not reached the age of 50 years, may retire at his option and shall be entitled to the retirement benefits but such retirement benefit shall be subject to the pertinent requirements of the BIR.

The Bank's retirement plan is registered with the BIR as a tax-qualified plan under RA No. 4917, as amended, and complies with the minimum retirement benefit specified under RA No. 7641, the "New Retirement Law."

The date of the last actuarial valuation is December 31, 2023. Valuations are performed on an annual basis.

As at December 31, 2023, 2022 and 2021, the principal actuarial assumptions used in determining retirement benefits liability for the Bank's retirement plan are shown below:

	2023	2022	2021
Average working life	**13.0**	13.0	13.0
Discount rate	**6.1%**	7.6%	5.0%
Future salary increases	**6.6%**	6.6%	6.6%

The mortality rates used in the valuation were based on the 1985 Unisex Annuity Table (UAT). The 1985 UAT was derived from the experience of the Government Service Insurance System from 01 January 1977 to 31 December 1981, a period of five years. The 1985 UAT has been adjusted to reflect improvements in mortality experience since its original construction. The disability rates used in the valuation were based on 100% of the adjusted 1952 Disability Table, reflecting improvement in Philippine disability experience.

The following table shows reconciliation from the opening balances to the closing balances for net retirement benefit liability (assets) and its components (in thousands).

	Defined Benefits Obligation			**Fair Value of Plan Assets**			**Net Retirement Benefit Liability (Asset)**		
	2023	2022	2021	**2023**	2022	2021	**2023**	2022	2021
Balance at January 1	**P1,027,606**	P1,244,156	P1,329,366	**(P1,100,754)**	(P1,085,608)	(P936,823)	**(P73,148)**	P158,548	P392,543
Included in Profit or Loss									
Current service cost	**94,990**	115,658	129,639	**-**	-	-	**94,990**	115,658	129,639
Interest expense (income)	**77,119**	62,208	51,845	**(80,356)**	(54,280)	(36,536)	**(3,237)**	7,928	15,309
	172,109	177,866	181,484	**(80,356)**	(54,280)	(36,536)	**91,753**	123,586	144,948
Included in OCI									
Remeasurement loss (gain):									
Actuarial loss (gain) arising from:									
Financial assumptions	**167,475**	(299,036)	(166,458)	**-**	-	-	**167,475**	(299,036)	(166,458)
Experience adjustment	**81,345**	18,033	(6,013)	**-**	-	-	**81,345**	18,033	(6,013)
Return on plan assets excluding interest income	**-**	-	-	**39,176**	96,178	(14,069)	**39,176**	96,178	(14,069)
	248,820	(281,003)	(172,471)	**39,176**	96,178	(14,069)	**287,996**	(184,825)	(186,540)
Others									
Contributions paid by the employer	**-**	-	-	**(180,461)**	(170,457)	(192,403)	**(180,461)**	(170,457)	(192,403)
Benefits paid	**(105,401)**	(113,413)	(94,223)	**105,401**	113,413	94,223	**-**	-	-
	(105,401)	(113,413)	(94,223)	**(75,060)**	(57,044)	(98,180)	**(180,461)**	(170,457)	(192,403)
Balance at December 31	**P1,343,134**	P1,027,606	P1,244,156	**(P1,216,994)**	(P1,100,754)	(P1,085,608)	**P126,140**	(P73,148)	P158,548

The movements of the remeasurement losses on retirement liability of the Bank follow:

	2023	2022	2021
Balance at beginning of year	**P77,723,200**	P262,547,387	P449,088,000
Remeasurement losses (gains) on:			
Defined benefits obligation	**248,820,103**	(281,002,208)	(172,472,150)
Plan assets	**39,175,594**	96,178,021	(14,068,463)
Net change in remeasurement losses (gains) recorded in OCI	**287,995,697**	(184,824,187)	(186,540,613)
Balance at end of year	**P365,718,897**	P77,723,200	P262,547,387

The actual return (loss) on plan assets amounted to P41.2 million and (P41.9) million in 2023 and 2022, respectively.

The Bank expects to contribute P211.4 million to its defined benefits retirement plan in 2024.

The major categories of the fair value of plan assets as at December 31, 2023 and 2022 follow:

	2023	2022
Investment securities:		
Government and other debt securities	**P526,163,095**	P614,885,776
Quoted equity securities	**339,884,175**	270,829,395
Unquoted equity securities	**2,600**	2,600
Deposits with the bank	**131,963,457**	30,747,112
Loans receivables	**206,022,617**	170,241,796
Other receivables	**12,958,486**	14,047,453
Total Plan Assets	**P1,216,994,430**	P1,100,754,132

Sensitivity Analysis
Reasonably possible changes to one of the relevant actuarial assumptions, with all other assumptions constant, would have affected the net retirement liability of the Bank by the amounts shown belowl:

	December 31, 2023			
	Discount Rate		**Salary Increase Rate**	
	+1.00%	**-1.00%**	**+1.00%**	**-1.00%**
Present value of the defined benefit obligation	**P1,225,926,087**	**P1,479,462,857**	**P1,468,882,977**	**P1,232,640,544**
Fair value of plan assets	**(1,216,994,429)**	**(1,216,994,429)**	**(1,216,994,429)**	**(1,216,994,429)**
Net retirement liability (assets)	**P8,931,658**	**P262,468,428**	**P251,888,548**	**P15,646,115**

	December 31, 2022			
	Discount Rate		Salary Increase Rate	
	+1.00%	-1.00%	+1.00%	-1.00%
Present value of the defined benefit obligation	P940,049,711	P1,128,828,588	P1,122,198,314	P944,152,299
Fair value of plan assets	(1,100,754,132)	(1,100,754,132)	(1,100,754,132)	(1,100,754,132)
Net retirement liability (assets)	(P160,704,421)	P28,074,456	P21,444,182	(P156,601,833)

The maturity analyses of the undiscounted benefit payments as at December 31, 2023 and 2022 are as follows:

	2023	2022
1 - 5 years	**P541,608,869**	P443,062,358
6 - 10 years	**1,101,752,171**	922,629,278
11 - 15 years	**1,086,406,759**	1,068,594,031
16 years and up	**5,407,534,068**	4,581,346,511
	P8,137,301,867	P7,015,632,178

The defined benefit plans expose the Bank to actuarial risks, such as longevity risk, interest risk, and market (investment risk).

The overall investment policy and strategy of the retirement plan is based on the Bank's suitability assessment, as provided by its Trust Services Group, in compliance with BSP requirements.

The weighted average duration of the defined benefit obligations is 9 years as at December 31, 2023 and 2022. The expected average remaining working lives as at December 31, 2023 and 2022 is 13 years.

30. Rent and Utilities

The table below shows the breakdown of rent and utilities in 2023, 2022, and 2021.

	2023	2022	2021
Repairs and maintenance	**P199,706,881**	P187,630,410	P170,656,204
Security services	**197,680,447**	220,318,339	180,368,900
Power, light, water	**112,852,064**	105,967,062	71,469,631
Rent expense	**81,928,780**	68,792,512	59,358,776
Janitorial services	**42,226,915**	38,559,704	35,909,859
Insurance	**13,302,902**	10,281,940	14,520,536
Total	**P647,697,989**	P631,549,967	P532,283,906

Insurance refers to the insurance for the Bank's property and equipment.

Bank as Lessee
The Bank leases the premises occupied by most of its branches. The lease contracts are for periods ranging from 1 to 15 years and are renewable upon mutual agreement between the Bank and the lessors. Various lease contracts include escalation clauses, most of which bear an annual rent increase ranging from 2.8% to 18.5%.

The Bank also leases parking space, ATM location, signage and storage with contract term of 1 year. These leases are short-term and/or leases of low value items. The Bank has elected not to recognize right-of-use assets and lease liabilities for these leases. Rent expenses related to these contracts are charged against current operations (included under "Rent and utilities" account in the statements of income).

Information about leases for which the Bank is a lessee is presented below:

Right-of-Use Assets
Right-of-use assets relate to leased branch and office premises. Details of right-of-use assets are presented within property and equipment (see Note 14).

Lease Liabilities
See Note 5 for maturity analysis of lease liabilities as at December 31, 2023 and 2022.

The table below shows the amounts recognized in the statements of income in 2023, 2022 and 2021 related to leases under PFRS 16 (amounts in millions).

	2023	2022	2021
Interest on lease liabilities	**P32.8**	P28.2	P35.0
Expenses relating to short-term leases	**70.0**	59.1	59.4
Expenses relating to lease of low-value assets, excluding short-term leases of low-value assets	**12.0**	9.7	8.9

Total cash outflow for leases recognized in 2023, 2022 and 2021 amounted to P320.1 million, P303.2 million, and P295.0 million, respectively.

Bank as Lessor
The Bank leases out its commercial properties for office space. The Bank has classified these leases as operating leases because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

Rental income recognized by the Bank on its commercial properties (shown under "Miscellaneous" in the statements of income) for the years ended December 31, 2023, 2022, and 2021 were P1.6 million, P1.8 million, and P0.5 million, respectively, and includes rental income on investment properties (Note 15). The Bank also recognized income from the use of safety deposit boxes amounting to P3.0 million for years ended December 31, 2023, 2022, and 2021 (see Note 31).

As at December 31, 2023 and 2022, the Bank has no future rental receivables under non-cancellable operating lease.

31. Miscellaneous Income and Expenses

Miscellaneous Income
This account consists of:

	Note	**2023**	2022	2021
Passed-on GRT		**P50,377,835**	P40,574,554	P26,542,569
Dividend income	*10*	**5,604,161**	1,612,352	5,709,161
Rent income	*30*	**4,602,172**	4,834,797	3,439,978
Others		**84,692,214**	68,157,678	14,873,615
		P145,276,382	P115,179,381	P50,565,323

Others include gain due to rent concessions, recovery from charged-off assets and excess chattel fees. Recovery from charged-off assets amounted to P71.1 million, P56.1 million, and P0.2 million, respectively, in 2023, 2022 and 2021.

Miscellaneous Expenses
This account consists of:

	2023	2022	2021
Marketing	**P103,566,171**	P57,421,253	P50,196,110
Supervision and examination fee	**83,011,437**	67,926,910	57,535,251
Communications	**79,890,227**	77,156,091	80,744,268
Forms and supplies	**51,808,966**	45,915,052	37,796,870
Transportation and travel	**42,598,156**	26,500,086	16,446,128
Messengerial services	**39,440,243**	36,985,834	53,659,322
Litigation and acquired assets-related expenses	**27,984,321**	16,391,828	10,166,679
Membership dues	**27,594,750**	20,809,127	16,439,851
Fines and penalties	**3,372,381**	71,713,640	97,759,614
Others	**60,526,331**	125,759,860	81,067,483
	P519,792,983	P546,579,681	P501,811,576

Others include management fee on deposits, charges on correspondent banks, royalty fees, other provisions and postage.

In 2021, universal banking license fee amounting to P24.5 million was accrued by the Bank under "Others".

32. Income and Other Taxes

Income and other taxes are comprised of RBU and FCDU taxes which are discussed as follows:

Regular Banking Unit
Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented under "Taxes and licenses" account in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes.

Income tax expense include corporate income tax, as discussed below, and final taxes paid at the rate of 20.0%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises Act* (CREATE Law), was signed into law and took effect on April 11, 2021. The following are certain provisions of the National Internal Revenue Code of 1997 that were amended and relevant to the Bank:

- Regular corporate income tax rate is decreased from 30% to 25% starting July 1, 2020;
- Minimum corporate income tax rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
- The allowable deduction for interest expense shall be reduced by 20% of interest income subjected to final tax, instead of the previous 33%; and
- The imposition of 10% tax on improperly accumulated retained earnings is repealed.

The MCIT and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, over a 3-year period from the year of incurrence.

In addition, Revenue Regulations (RR) No. 10-2002 provides for the ceiling on the amount of entertainment, amusement and representation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Bank is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue.

In 2011, the BIR issued RR 4-2011, *Proper allocation of costs and expenses amongst income earning of banks and other financial institutions for income tax reporting purposes*, which requires banks to allocate and claim as deduction only those costs and expenses attributable to RBU to arrive at the taxable income of the RBU subject to regular income tax. Any cost or expense related with or incurred for the operations FCDU are not allowed as deduction from the RBU's taxable income. In computing for the amount allowable as deduction from RBU operations, all costs and expenses should be allocated between the RBU and FCDU by specific identification and by allocation. In a Decision dated December 1, 2021, the Supreme Court declared RR 4-2011 void for having issue ultra vires. It ruled that RR 4-2011 unduly contravened and expanded the provisions of the Tax Code. The Supreme Court Decision became final and executory on June 7, 2022, and was recorded in the Book of Entries of Judgement.

Foreign Currency Deposit Unit
RA No. 9294, the existing applicable tax regulation governing the taxation of FCDU, provides, among others, the following:

- Offshore income or the income derived by FCDUs from foreign currency transactions with nonresidents, Offshore Banking Units (OBUs) in the Philippines, local commercial banks including branches of foreign banks that may be authorized by BSP to transact business with FCDUs and other depository banks under the foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the MB to be subject to the regular income tax payable by banks.

- Gross onshore income or interest income from foreign currency loans granted by FCDUs to residents through offshore units in the Philippines or other depository banks under the expanded system shall be subject to final tax at a rate of 10.0%; and

- Interest income derived by resident individual or corporation on deposits with FCDUs and OBUs are subject to 15.0% final tax.

Income tax expense consists of:

	2023	2022	2021
Current:			
Final	**P728,807,543**	P523,060,497	P399,293,480
RCIT	**93,876,511**	73,242,737	1,778,182
Tax benefit	**(25,186,431)**	(61,363,313)	-
MCIT	**-**	-	38,840,735
Adjustment for CREATE	**-**	-	(34,487,630)
	797,497,623	534,939,921	405,424,767
Deferred	**136,393,568**	131,415,328	218,263,891
	P933,891,191	P666,355,249	P623,688,658

The amount of tax benefit relates to MCIT of prior periods that was used to reduce current tax payable.

The amount of deferred income tax relates to the origination and reversal of temporary differences. In 2021, this amount includes the impact of CREATE Law, resulting to the remeasurement of items previously measured based on previous tax rate, amounting to P160.3 million.

The reconciliation of the income tax expense computed at the statutory tax rate to the effective income tax shown in the statements of income follows:

	2023	2022	2021
Income before income tax expense	**P3,736,110,366**	P2,466,423,849	P1,830,307,823
Income tax at statutory rate	**P934,027,592**	P616,605,962	P457,576,956
Additions to (reductions in) income taxes resulting from the tax effects of:			
Nondeductible expenses	**192,649,750**	114,721,794	128,709,952
Tax paid income	**(157,558,235)**	(56,603,094)	(28,047,183)
Nontaxable income	**(62,716,480)**	(6,127,328)	21,934,422
Changes in unrecognized deferred tax assets	**59,498,560**	26,098,741	59,508,039
FCDU income	**(25,552,958)**	(23,316,140)	(25,301,259)
Others	**(6,457,038)**	(5,024,686)	9,307,731
Effective income tax	**P933,891,191**	P666,355,249	P623,688,658

The components of net deferred tax assets and deferred tax liabilities in the statements of financial position follow:

	Beginning Balance (December 31, 2022 Tax Effect)	**Amount (Charged) Credited to Profit or Loss**	**Amount Recognized in OCI**	**Ending Balance (December 31, 2023 Tax Effect)**
Deferred tax assets:				
Allowance for credit and impairment losses	**P649,802,754**	**(P55,040,734)**	**P -**	**P594,762,020**
Accumulated depreciation on foreclosed properties	**206,229,257**	**12,899,855**	**-**	**219,129,112**
Accrued employee benefits and other expenses	**146,226,619**	**18,228,960**	**-**	**164,455,579**
Unrealized loss on foreclosed properties	**63,726,642**	**(2,940,405)**	**-**	**60,786,237**
Net lease liability	**14,370,454**	**(2,528,107)**	**-**	**11,842,347**
Accrued rent expense	**1,467,162**	**(430,310)**	**-**	**1,036,852**
MCIT	**25,186,431**	**(25,186,431)**	**-**	**-**
	1,107,009,319	**(54,997,172)**	**-**	**1,052,012,147**
Deferred tax liability:				
Unrealized gain on foreclosed properties	**(381,520,446)**	**(54,624,180)**	**-**	**(436,144,626)**
Unrealized foreign exchange gain	**(52,974,799)**	**(9,061,976)**	**-**	**(62,036,775)**
Retirement benefits	**(37,717,776)**	**(22,177,072)**	**-**	**(59,894,848)**
Gain on investment properties sold under installments	**(22,706,210)**	**4,466,832**	**-**	**(18,239,378)**
Unrealized gain on financial assets at FVOCI	**-**	**-**	**(363,597)**	**(363,597)**
	(494,919,231)	**(81,396,396)**	**(363,597)**	**(576,679,224)**
Net Deferred Tax Assets (Liabilities)	**P612,090,088**	**(P136,393,568)**	**(P363,597)**	**P475,332,923**

	Beginning Balance (December 31, 2021 Tax Effect)	Amount (Charged) Credited to Profit or Loss	Amount Recognized in OCI	Ending Balance (December 31, 2022 Tax Effect)
Deferred tax assets:				
Allowance for credit and impairment losses	P717,937,427	(P68,134,673)	P -	P649,802,754
Accumulated depreciation on foreclosed properties	194,605,367	11,623,890	-	206,229,257
Accrued employee benefits and other expenses	118,820,779	27,405,840	-	146,226,619
MCIT	86,549,744	(61,363,313)	-	25,186,431
Unrealized loss on foreclosed properties	68,825,400	(5,098,758)	-	63,726,642
Net lease liability	17,539,091	(3,168,637)	-	14,370,454
Accrued rent expense	2,068,868	(601,706)	-	1,467,162
	1,206,346,676	(99,337,357)	-	1,107,009,319
Deferred tax liability:				
Unrealized gain on foreclosed properties	(371,185,504)	(10,334,942)	-	(381,520,446)
Unrealized foreign exchange gain	(40,050,140)	(12,924,659)	-	(52,974,799)
Retirement benefits	(25,999,968)	(11,717,808)	-	(37,717,776)
Gain on investment properties sold under installments	(25,605,648)	2,899,438	-	(22,706,210)
	(462,841,260)	(32,077,971)	-	(494,919,231)
Net Deferred Tax Assets (Liabilities)	P743,505,416	(P131,415,328)	P -	P612,090,088

Management believes that certain future deductible items may not be realized in the near foreseeable future as future taxable income may not be sufficient for the related tax benefits to be realized. Accordingly, the Bank did not set up deferred tax assets on the following temporary differences:

	2023		2022		2021	
	Deductible Temporary Differences	**Deferred Tax Asset**	Deductible Temporary Differences	Deferred Tax Assets	Deductible Temporary Differences	Deferred Tax Assets
Allowance for credit and impairment losses	**P2,826,627,838**	**P706,656,960**	P3,169,422,869	P792,355,717	P3,073,627,758	P768,406,940
Unrealized loss on financial assets at FVPL	**4,023,806**	**1,005,952**	4,539,344	1,134,836	3,421,893	855,473
Others	**168,557,986**	**42,139,497**	216,589,515	54,147,379	209,107,113	52,276,778
Deferred tax items not recognized in profit or loss	**2,999,209,630**	**749,802,409**	3,390,551,728	847,637,932	3,286,156,764	821,539,191
Remeasurement losses on retirement liability	**365,718,897**	**91,429,724**	77,723,200	19,430,800	262,547,387	65,636,847
Deferred tax items not recognized in OCI	**365,718,897**	**91,429,724**	77,723,200	19,430,800	262,547,387	65,636,847
	P3,364,928,527	**P841,232,133**	P3,468,274,928	P867,068,732	P3,548,704,151	P887,176,038

As at December 31, 2023 and 2022, the Bank has no carryforward NOLCO.

Details of the Bank's RBU excess MCIT over RCIT as at December 31, 2023 follow:

Inception Year	Amount	Applied	Balance	Expiry Year
2021	P25,186,431	(P25,186,431)	P -	2024

33. Related Party Transactions

The Bank has various transactions with its related parties and with certain directors, officers, stockholders and related interests (DOSRI). These transactions usually arise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Bank, transactions with related parties are made substantially on the same terms as with other individuals and businesses of comparable risks.

Under current banking regulations, total outstanding loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the Bank provided, however, that unsecured loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall not exceed 30.0% of their respective total loans, other accommodations and guarantees. Loans, other credit accommodations, and guarantees granted by the Bank to its DOSRI for the purpose of project finance, shall be exempted from the 30.0% unsecured individual ceiling during the project gestation phase provided that the Bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

Except with the prior approval of the MB, the total outstanding loans, other credit accommodations and guarantees to DOSRI shall not exceed 15% of the total loan portfolio of the bank or 100.0% of net worth whichever is lower provided that in no case shall the total unsecured loans, other credit accommodations and guarantees to said DOSRI exceed 30.0% of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower. For the purpose of determining compliance with the ceiling on unsecured loans, other credit accommodations and guarantees, banks shall be allowed to average their ceiling on unsecured loans, other credit accommodations and guarantees every week.

The total outstanding loans, other credit accommodations and guarantees to each of the bank's subsidiaries and affiliates shall not exceed 10.0% of the net worth of the lending bank provided that the unsecured loans, other credit accommodations and guarantees to each of said subsidiaries and affiliates shall not exceed 5.0% of such net worth provided that the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.0% of the net worth of the lending bank provided that these subsidiaries and affiliates are not related interest of any of the director, officer, and/or stockholder of the lending bank.

The following table shows information on related party loans (amounts in thousands, except percentages):

	2023		2022	
	DOSRI Loans	**Related Party Loans (inclusive of DOSRI)**	DOSRI Loans	Related Party Loans (inclusive of DOSRI)
Total outstanding loans	**P166**	**P39,011,760**	P258	P29,909,689
Percent of DOSRI/Related Party loans to total loans	**0.00%**	**35.66%**	0.00%	28.34%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**21.14%**	0.00%	39.98%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.00%**	0.00%	0.01%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.35%**	0.00%	0.03%

The details of significant related party transactions of the Bank follow (amounts in thousands):

Category	***Note***	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Associate	*13*			
2023				
Investment in an associate		**P -**	**P35,534**	**24.26% equity interests in BIC which is a stockholder of the Bank**
Share in net loss of an associate		**783**	**-**	**Share in net loss of BIC**
2022				
Investment in an associate		-	39,523	24.26% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		133	-	Share in net loss of BIC
2021				
Investment in an associate		-	39,662	24.26% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		1,039	-	Share in net loss of BIC

Unless otherwise stated, RPTs disclosed are unsecured.

Category	Note	Amount/Volume			Outstanding Balance		Nature, Terms and Conditions
		2023	2022	2021	**2023**	2022	
Other Related Parties							
Financial assets at FVOCI:	*10*						
Private debt securities		**P -**	P -	P -	**P -**	P -	Matured bond with interest rate of 6.6%.
Maturities		**-**	300,000	-	**-**	-	
Investment securities at amortized cost	*11*	**-**	-	-	**345,110**	381,680	Long-term bonds with interest rates ranging from 6.5% to 8.1% with maturity years ranging from 2024 to 2025.
Maturities		**36,570**	-	1,330,350	**-**	-	Matured bond had interest rates ranging from 4.0% to 5.5%
Loans and receivables - net:	*12*						
Receivables from customers:		**-**	-	-	**38,819,027**	29,820,614	Term, housing, auto, salary and personal loans with
Availments		**111,576,878**	49,176,944	63,412,047	**-**	-	interest rates ranging from 4.8% to 19.1% and with
Settlements		**100,198,842**	40,503,492	60,623,795	**-**	-	maturity of less than 1 year to 20 years; Collateral includes real estate mortgage, unregistered chattel mortgage, hold-out on deposit, assignment of contract and concession agreement, continuing surety agreement, mortgage trust indenture and pledge agreement on shares;
Accrued interest receivables:		**-**	-	-	**300,454**	177,332	Accrued interest receivables on loans and long-term bonds;
Interest income		**2,875,183**	1,560,266	1,830,281	**-**	-	Interest income on loans and long-term bonds;
Deposit liabilities:	*18*	**-**	-	-	**59,314,694**	52,293,651	Consists of current, savings and time deposits which
Deposits		**6,166,071,245**	5,689,342,609	4,112,755,092	**-**	-	earn interest at the respective bank deposit rates
Withdrawals		**5,048,087,644**	4,888,848,456	3,631,676,685	**-**	-	
Accrued interest payable	*21*	**967,838**	260,241	105,793	**127,398**	39,391	Interest expense and accrued interest payable on deposits;
Accrued other expenses and other liabilities	*21, 22*	**319,206**	186,621	182,914	**47,823**	6,699	Accrued other expenses include professional fees, per diem of Directors and accruals for rent and utilities; On demand, unsecured and non-interest bearing; Other liabilities consists of accounts payable to Bank's officers; On demand, unsecured and non-interest bearing.
Fees and other income	*27, 31*	**219,010**	292,932	80,923	**-**	-	Loan, underwriting, and investment-related fees and commission income, gain from the cash sale transactions of foreclosed properties and passed-on GRT
Commitments and contingent liabilities	*38*	**-**	-	-	**24,544,851**	21,644,130	Bank guarantees in favor of related party, outstanding letters of credit, and committed credit line

Unless otherwise stated, RPTs disclosed are unsecured and balances are net of allowance

As at December 31, 2023 and 2022, outstanding bills purchased of related parties with contra account in “Other liabilities” amounted to P772.8 million and P1.1 billion, respectively (see Notes 12 and 22).

Other related parties are companies linked directly or indirectly to the Bank through one or more intermediaries or are members of the same group, is controlled by, is under the same significant influence, or is under common control with the Bank.

The related party transactions shall be settled in cash.

As at December 31, 2023 and 2022, the allowance for credit losses on outstanding transactions with other related parties amounted to P210.5 million and P89.7 million, respectively. Provision for credit losses recorded in 2023 and 2022 on such related party transactions totaled to P120.8 million and P4.5 million, respectively. Reversal of credit losses recorded in 2021 on such related party transactions totaled to P276.4 million. Such outstanding transactions include investment securities at amortized cost, receivables from customers, and accrued interest receivable under the “Loans and receivables - net” account in the statements of financial position and commitment and contingent liabilities.

Transactions with Retirement Plan

The Bank’s retirement plan is managed and administered by the Bank’s Trust Services Group which is covered by an Investment Management Account (IMA) Agreement (agency relationship). The fair values of the plan assets are disclosed in Note 29.

Related unaudited financial information on assets/liabilities as at December 31, 2023 and 2022 and income/expense of the funds for the period ended December 31, 2023, 2022 and 2021 follow:

	2023	2022
Investment securities:		
Government and other debt securities	**P526,163,095**	P614,885,776
Quoted equity securities	**339,884,175**	270,829,395
Unquoted equity securities	**2,600**	2,600
Loans and other receivables	**218,981,103**	184,289,249
Deposits with the bank	**133,299,081**	35,626,380
Total Plan Assets	**P1,218,330,054**	P1,105,633,400
Due to broker	**P1,062,471**	P4,639,308
Trust fee payable	**257,209**	224,016
Other liabilities	**15,944**	15,944
Total Plan Liabilities	**1,335,624**	4,879,268
Net Plan Assets	**P1,216,994,430**	P1,100,754,132

Plan Income	**2023**	2022	2021
Interest income	**P46,133,203**	P35,630,193	P27,713,620
Trading and investment losses - net	**(26,652,785)**	(30,901,624)	(30,241,813)
Dividend income and others	**28,632,767**	8,901,291	9,477,411
	P48,113,185	P13,629,860	P6,949,218
Plan Expense			
Trust fees	**P3,257,172**	P2,775,610	P2,461,431
Other expenses	**1,980,287**	2,134,774	1,758,759
Provision for credit losses	**1,219,179**	2,258,204	11,821,715
	P6,456,638	P7,168,588	P16,041,905

As at December 31, 2023 and 2022, the retirement plan assets of the Bank include 730,670 shares of the Bank classified under financial assets at FVPL. The shares of the Bank were listed in the PSE on March 31, 2022. As at December 31, 2023 and 2022, the fair market value of the shares amounted to P5.3 million and P5.8 million, respectively. Limitations and restrictions are covered by the IMA Agreement and anything outside the IMA Agreement must be explicitly authorized by the Board of Trustees (BOT).

Interest income on deposit with the Bank amounted to P40,334, P4,257, and P4,014 in 2023, 2022 and 2021, respectively. Investments are subject to the limitations of the agreement and all other actions pertaining to the fund are to be executed only upon explicit authority by the BOT of the Fund.

The Bank's contribution to its defined benefits retirement plan amounted to P180.5 million and P170.5 million in 2023 and 2022, respectively. Benefits paid out of the Bank's plan assets amounted to P105.4 million and P113.4 million in 2023 and 2022, respectively (see Note 29).

Compensation of Key Management Personnel of the Bank

The remuneration of directors and other members of key management under "Compensation and fringe benefits" account in the statements of income for the years ended December 31, 2023, 2022 and 2021 follows:

	2023	2022	2021
Short-term employee benefits	**P711,101,785**	P555,082,001	P544,595,527
Post-employment benefits	**30,278,540**	37,075,744	44,934,032
	P741,380,325	P592,157,745	P589,529,559

34. Acquisition of Selected Assets and Assumption of Certain Liabilities of TRB

A summary of the significant transactions related to the PSA entered into by the Bank with TRB on November 9, 2001 follows:

a. TRB sold and transferred, in favor of the Bank, identified recorded assets owned by TRB both real and personal, or in which TRB has title or interest, and which are included and deemed part of the assets listed and referred to in TRB's Consolidated Statement of Condition (CSOC) as at August 31, 2001. The said assets are inclusive of the banking goodwill of TRB, bank premises, licenses to operate its head office and branches, leasehold rights and patents used in connection with its business or products. In consideration of the sale of identified recorded assets, the Bank assumed identified recorded TRB liabilities including contingent liabilities as listed and referred to in its CSOC as at August 31, 2001. The liabilities assumed do not include the liability for the payment of compensation, retirement pay, separation benefits and any labor benefits whatsoever arising from, incidental to, or connected with employment in, or rendition of employee services to TRB, whether permanent, regular, temporary, casual or contractual and items in litigation, both actual and prospective, against TRB.

b. The Bank is allowed to avail of certain BSP incentives including but not limited to the following: (a) full waiver of the liquidated damages on the emergency loan of TRB and penalties related to reserve deficiencies and all other outstanding penalties at the time of acquisition may be paid over a period of 1 year, (b) relocation of branches shall be allowed within 1 year from the date of BSP approval of the PSA. Relocation shall be allowed in accordance with BSP Circular No. 293. The 90-day notice requirement on branch relocation has been waived, and (c) availment of rediscounting facility window subject to present BSP regulations.

c. The Bank paid the outstanding emergency advances owed by TRB to BSP originally amounting to P2.4 billion through dacion en pago with mandatory buy-back agreement of certain assets of the Bank and TRB at a price set at 80.0% of the appraised value of those assets (see discussions on Settlement of Liabilities of TRB).

d. The Bank arranged with PDIC a liquidity facility for the first year following the effectivity date in the amount not to exceed 10.0% of the assumed deposit liabilities of TRB to service unanticipated withdrawals by TRB depositors, subject to terms and conditions as may be imposed by PDIC.

Settlement of Liabilities of TRB

Part of the liabilities of TRB assumed by the Bank includes P2.4 billion emergency advances from BSP. As settlement for the emergency advances, a dacion en pago with mandatory buy-back agreement involving certain bank premises and ROPA (with a dacion price equivalent to 80.0% of the average appraised value of the dacion properties) was executed. The dacion en pago with mandatory buy-back agreement contained the following significant terms and conditions:

a. The Bank may repurchase the bank premises and ROPA within 10 years from the execution of the agreement.

b. The buy-back price for the ROPA is the dacion price plus, if applicable, real estate taxes paid by BSP. The buy-back price for the bank premises used in operations shall be the dacion price plus 6.0% simple interest per annum plus 50.0% of rental rates based on prevailing rates in the locality as mutually agreed by the parties with a 4.3% yearly increment.

c. Any gain on sale of the dacion properties within the 10-year holding period, in excess or over the buy-back price, net of any taxes paid related to the sale, shall be shared 70-30 between the Bank and BSP, respectively.

As approved by BSP, properties of the Bank and TRB with net book value amounting to P2.3 billion fully settled the liabilities to BSP assumed by the Bank from TRB amounting to P2.4 billion at the time of dacion; the difference amounting to P102.0 million was credited to other deferred credits (ODC) account. Expenses incurred related to the dacion of properties were offset against ODC.

The Bank fully settled its emergency loan with BSP in June 2012 through cash settlement and permanent transfer of dacioned properties.

FAA
The summary of significant transactions related to the FAA entered into by the Bank with the PDIC, for acting as a "White Knight" by agreeing to the terms and conditions of the PSA with TRB, follows:

a. The PDIC granted the Bank a loan amounting to P1.8 billion representing the amount of insured deposits of TRB as at June 30, 2001, which should have been paid by PDIC under a closure scenario. The proceeds of the loan were used to purchase a 20-year government securities with a coupon rate of 15.0% per annum to be pledged as collateral for the loan. Yield on the 20-year government securities (net of 20.0% withholding tax and the 3.0% interest to be paid on the loan from PDIC) shall be used to offset on a staggered basis, for prudential reporting purposes, against TRB's unbooked valuation reserves on NPAs with a total face value of P4.5 billion, which was approved by BSP to be booked as "Miscellaneous assets".

   On November 29, 2013, the Bank fully settled its loan from PDIC amounting to P1.8 billion.

b. The Bank infused additional fresh capital amounting to P200.0 million in 2001 and commits to infuse additional capital in the event a shortfall in order to comply with BSP's pertinent regulations on minimum capital requirement.

c. The Bank agrees to comply with certain regulatory requirements, to provide information as required by the PDIC, to pursue realization of performance targets based on the financial plan, to secure PDIC's written consent for the appointment of an external auditor, and to entitle PDIC to appoint a consultant.

d. The Bank shall not, among others, without the prior written consent of PDIC, grant new DOSRI loans, make any single major or significant total capital expenditures within 5 years as defined in the FAA, establish new banking offices or branches, dispose all or substantial portion of its assets except in the ordinary course of business, declare or pay cash dividends, effect any profit sharing or distribution of bonuses to directors and officers of the Bank not in accordance with the financial plan and other transactions or activities not in accordance with the financial plan.

On September 22, 2009, the Bank and PDIC signed a Supplemental Agreement to the 2002 FAA with the following additional terms:

a. To the extent and in the context relevant to the terms of the FAA, PDIC hereby agrees to a limited adjustment of TRB's unbooked valuation reserves/deferred charges/accumulated operating losses, so as to include operating losses accumulated from the period October 2001 to July 2002 in the amount of P596.0 million which shall bring TRB's total unbooked valuation reserves, deferred charges and accumulated operating losses to P4.5 billion;

b. Extension of the FAA for such limited period as shall exactly be sufficient to fully set off on staggered basis the MA-TRB against the net yield of the new series 20-year government securities to be purchased to replace the maturing government securities in March 2022 and likewise to be pledged to PDIC; and

c. Income resulting from the difference between the dacion price and book value of the assets as collateral to BSP, if any, as well as future collections derived by the Bank from NPLs covered by the unbooked valuation reserves shall be deducted from the above amount of P4.5 billion. Such set-off shall be formally and officially reported by BSP to PDIC.

The foregoing Supplemental Agreement did not constitute a significant modification of the terms of the PDIC's below-market loan to the Bank. Had the modification been significant, it would have resulted to the derecognition of the old liability and the recognition of the new liability at its fair value.

In addition, as part of the PSA, there were transactions allowed and approved by BSP, which required different treatment under PFRSs. These transactions and their effects are described below:

Assumption of NPAs of TRB

In addition to the provisions of FAA and subsequent to the approval by BSP and PDIC to recognize NPAs of P144.2 million as miscellaneous assets, the Bank negotiated with BSP and PDIC to include as miscellaneous assets the additional operating losses of TRB amounting to P595.6 million incurred during the transition period of the Bank's assumption of TRB's assets and liabilities.

As at December 31, 2002, a portion of the additional operating losses of TRB amounting to P227.2 million was approved by BSP and PDIC to be included as additional miscellaneous assets. On April 28, 2003, BSP approved the deferral of operating losses amounting to P596.4 million (instead of P595.6 million which was previously negotiated by the Bank and P227.2 million which was previously approved by BSP) thereby increasing the TRB-related bookings to miscellaneous assets to P4.4 billion (see Note 16). NPL included under miscellaneous assets comprised TRB's loans amounting to P3.1 billion as at August 31, 2001 which is excluded in the determination of financial ratios, provisioning and computation of CAR based on the agreed term sheet. Also, BSP considered these miscellaneous assets as non-risk assets and are not subject to classification.

Pursuant to the requirements of PFRS, the allowance for impairment losses on the NPAs amounting to P4.3 billion as at December 31, 2023 and P4.4 billion as at December 31, 2022 and 2021 were charged in full in the period incurred (see Note 16).

For its separate prudential reporting to BSP, the Bank recognized P1.3 billion provisions to fully recognize the impairment losses on the NPAs in 2022. In 2021, provisions for impairment losses recognized for prudential reporting to BSP amounted to P160.0 million (see Note 16).

35. Notes to Statements of Cash Flows

The following is a summary of noncash activities of the Bank:

	2023	2022	2021
Noncash investing activities:			
Additions to investment properties and other properties acquired in settlement of loans	**P654,419,110**	P251,831,964	P89,736,152
Additions to ROU assets	**313,175,775**	159,277,079	45,242,843
Increase in sales contract receivables from sale of investment properties	**108,020,017**	88,212,765	92,323,023

The following table shows the reconciliation analysis of liabilities arising from financing activities for period ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
Beginning balance	**P7,933,164,363**	P538,398,243	P682,015,739
Additions to lease liabilities	**307,649,056**	155,593,019	44,853,267
Interest accretion	**68,831,053**	42,795,198	35,033,242
Cash flows during the year:			
Proceeds	**3,147,150,433**	15,004,528,892	4,810,000,000
Settlements	**(3,385,165,406)**	(7,808,150,989)	(5,033,504,005)
	(238,014,973)	7,196,377,903	(223,504,005)
Ending balance	**P8,071,629,499**	P7,933,164,363	P538,398,243

As allowed by PAS 7, short-term borrowings from other banks amounting to P3.1 billion, P7.6 billion, and P4.8 billion in 2023, 2022 and 2021, respectively, are presented in the statements of cash flows on a net basis. In 2022, cash proceeds include issuance of bonds payable amounting to P7.5 billion.

36. Financial Performance Indicators

Basic earnings per share amounts were computed as follows:

		2023	2022	2021
a.	Net income	**P2,802,219,175**	P1,800,068,600	P1,206,619,165
b.	Dividends on preferred shares*	**187,916,668**	148,958,335	57,291,667
c.	Net income to equity holders of the Bank	**2,614,302,507**	1,651,110,265	1,149,327,498
d.	Weighted average number of outstanding common shares	**1,403,013,920**	1,334,592,963	1,122,411,120
e.	Basic earnings per share (c/d)	**P1.86**	P1.24	P1.02

** potential dividends on preferred shares as these were not assumed to be converted.*

Diluted earnings per share attributable to equity holders of the Bank were computed as follows:

		2023	2022	2021
a.	Net income to equity holders of the Bank	**P2,802,219,175**	P1,800,068,600	P1,206,619,165
b.	Weighted average number of outstanding common shares and dilutive preferred shares:			
	Outstanding common shares*	**1,403,013,920**	1,334,592,963	1,122,411,120
	Potential common shares from assumed conversion of preferred shares	**416,666,670**	416,666,670	173,611,113
c.	Total weighted average common shares	**1,819,680,590**	1,751,259,633	1,296,022,233
d.	Diluted earnings per share (a/c)	**P1.54**	P1.03	P0.93

The following basic ratios measure the financial performance of the Bank:

	2023	2022	2021
Return on average equity	**9.52%**	7.01%	6.01%
Return on average assets	**1.25%**	0.86%	0.65%
Net interest margin on average earning assets	**4.28%**	3.73%	3.42%

37. Events after the Reporting Date

Subject to the approval of the Stockholders and the relevant government regulatory agencies, the BOD approved on February 27, 2024 the amendments to the By-laws to (a) specify the date of the annual stockholders' meeting and (b) align with relevant rules and regulations, such as Section 132 of the MORB and Section 34 of the Revised Corporation Code. The BOD likewise approved to endorse to the Stockholders for approval the authority to delegate to the BOD the power to amend or repeal the current by-laws or enact a new one.

38. Supplementary Information Required under BSP Circular No. 1074

The following supplementary information is required by Appendix 55 - Disclosure Requirements to the Audited Financial Statements to Section 174 of the MORB of the BSP, issued through BSP Circular No. 1074, *Amendment to Regulations on Financial Audit of Banks.*

(a) Notes to the Financial Statements

a. *Capital Position* - please refer to Note 24.

b. *Leverage Ratio and Total Exposure Measure* - please refer to Note 24.

c. *Liquidity Position* (Liquidity Coverage Ratio and Net Stable Funding Ratio) - please refer to Note 24.

d. *Provisioning Methodology and Key Assumptions Used in Determining Allowance for Credit Losses* - please refer to Notes 3 and 5.

e. *Accounting Policies* - please refer to Note 3.

(b) Supplemental Information

- *Financial Performance Indicators* - please refer to Note 36.
- *Description of Capital Instruments Issued* - please refer to Note 24.
- *Significant Credit Exposures* - please refer to Note 5.
- *Breakdown of Total Loans* as to:
  i. Security - please refer to Note 12
  ii. Status - please refer to Note 12
- *Information on Related Party Loans* - please refer to Note 33.
- Commitments and Contingencies

  In the normal course of operations, the Bank makes various commitments, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingencies at their peso equivalent contractual amounts arising from off-books accounts as at December 31, 2023 and 2022:

	2023	2022
Contingent assets:		
Fixed income securities purchased	**P6,409,295,659**	P5,074,247
Future/spot exchange bought	**2,683,155,542**	1,146,547,214
Outward bills for collection	**5,575,925**	255,590
	P9,098,027,126	P1,151,877,051
Commitments and contingent liabilities:		
Trust department accounts	**P70,208,670,193**	P70,873,001,493
Committed credit line	**16,152,161,850**	7,470,632,437
Unused commercial letters of credit	**8,181,592,869**	15,638,084,869
Outstanding guarantees	**4,305,962,435**	3,438,552,342
Credit card lines	**3,600,976,933**	3,601,177,914
Future/spot exchange sold	**3,181,038,760**	1,954,996,944
Late deposits/payments received	**67,179,756**	137,803,664
Fixed income securities sold	**6,450,988**	5,074,247
Inward Bills For Collection-Domestic	**3,525,034**	-
Items held for safekeeping/securities held as collateral	**45,347**	44,835
	P105,707,604,165	P103,119,368,745

The Bank has several loan-related suits, claims and regulatory examinations that remain unsettled or ongoing. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, in consultation with its legal counsels, the suits and claims, if decided adversely, will not involve sums having a material effect on the Bank's financial statements.

Other Commitments

The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

No asset is being pledged by the Bank to secure outstanding liabilities as at December 31, 2023 and 2022.

Trust Assets

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Bank. Total assets held by the Bank's Trust Services Group amounted to P70.2 billion (unaudited) and P70.9 billion (audited) as at December 31, 2023 and 2022, respectively.

In compliance with the requirements of current banking regulations relative to the Bank's trust functions, government securities with face value of P770.0 million and P743.0 million as at December 31, 2023 and 2022, respectively, which have been included under "Investment securities at amortized cost" (see Note 11), are deposited with BSP.

Other relevant disclosures required by BSP Circular No. 1074 are in Notes 12, 24, 33 and 36.

39. Supplementary Information Required under Revenue Regulations (RR) No. 15-2010

The BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in a note to the separate financial statements. The Bank presented the required supplementary tax information as a separate schedule attached to its annual income tax return.

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REPORT OF INDEPENDENT AUDITORS
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Bank of Commerce (the "Bank") as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 19, 2024.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the financial statements as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and no material exceptions were noted.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years covering the audit of 2019 to 2023 financial statements
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-038-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 10075185
Issued January 2, 2024 at Makati City

March 19, 2024
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Bank of Commerce (the "Bank") as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023 on which we have rendered our report dated March 19, 2024.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Bank taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Bank's management. Such additional components include:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedules Required by Annex 68-J of the Revised SRC Rule 68
- Relationship Map

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

KPMG

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 920-961-311
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PTR No. MKT 10075185
Issued January 2, 2024 at Makati City

March 19, 2024
Makati City, Metro Manila

BANK OF COMMERCE

SUPPLEMENTARY SCHEDULES REQUIRED BY SRC RULE 68
DECEMBER 31, 2023

Philippine Securities and Exchange Commission (SEC) issued the Revised Securities Regulation Code Rule (SRC) 68. It prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by the Revised SRC Rule 68. These are presented for purposes of filing with the SEC and is not required part of the basic financial statements.

PART I

Schedule A:	Schedule of Financial Soundness Indicators
Schedule B:	Reconciliation of Retained Earnings Available for Dividend Declaration
Schedule C:	Relationship Map

PART II (Schedules Required by Annex 68-J of the Revised SRC Rule 68)

Schedule A:	Financial Assets
Schedule B:	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
Schedule C:	Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
Schedule D:	Long-Term Debt
Schedule E:	Indebtedness to Related Parties (Long-Term Loans from Related Companies)
Schedule F:	Guarantees of Securities of Other Issuers
Schedule G:	Capital Stock

BANK OF COMMERCE

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS OF DECEMBER 31, 2023 AND DECEMBER 31, 2022

RATIO	FORMULA	RATIO	
		2023	2022
Current Ratio	Total current assets / Total current liabilities	**0.57**	0.61
Acid Test Ratio	Total current financial assets / Total current liabilities	**0.56**	0.60
Solvency Ratio	Net income before non-cash expenses / Total liabilities	**0.02**	0.01
Debt to Equity Ratio	Total liabilities / Total equity	**6.51**	6.76
Asset to Equity Ratio	Total assets / Total equity	**7.51**	7.76
Interest Rate Coverage Ratio	Net Income before interest and taxes / Interest expense	**2.08**	2.92
Return on Equity	Net income / Average total equity	**9.52%**	7.01%
Return on Asset	Net income / Average total assets	**1.25%**	0.86%
Net Profit Margin	Net income / Total revenues	**28.09%**	22.18%
OTHER RATIOS			
Net Interest Margin	Net interest income / Average interest-earning assets	**4.28%**	3.73%
Cost to Income Ratio	Total operating expense / Total revenues	**0.62**	0.68
Debt to Assets Ratio	Total liabilities / Total assets	**0.87**	0.87
Loans to Deposit Ratio	Total gross loans* / Total deposits	**0.70**	0.70
Non-performing Loans Cover	Allowance for credit losses on loans / Non-performing loans	**93.21%**	89.05%
Non-performing Loans Ratio**	Non-performing loans / Total gross loans	**1.54%**	2.10%
Net Non-performing Loans Ratio**	Net non-performing loans / Total gross loans	**0.44%**	0.60%
Capital Adequacy Ratio	Total qualifying capital / Total risk-weighted assets	**19.88%**	17.97%

**Gross loans include receivables from customers (loans), interbank loans receivable and securities purchased under resale agreements.*

***Computed based on BSP Circular 941*

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2023

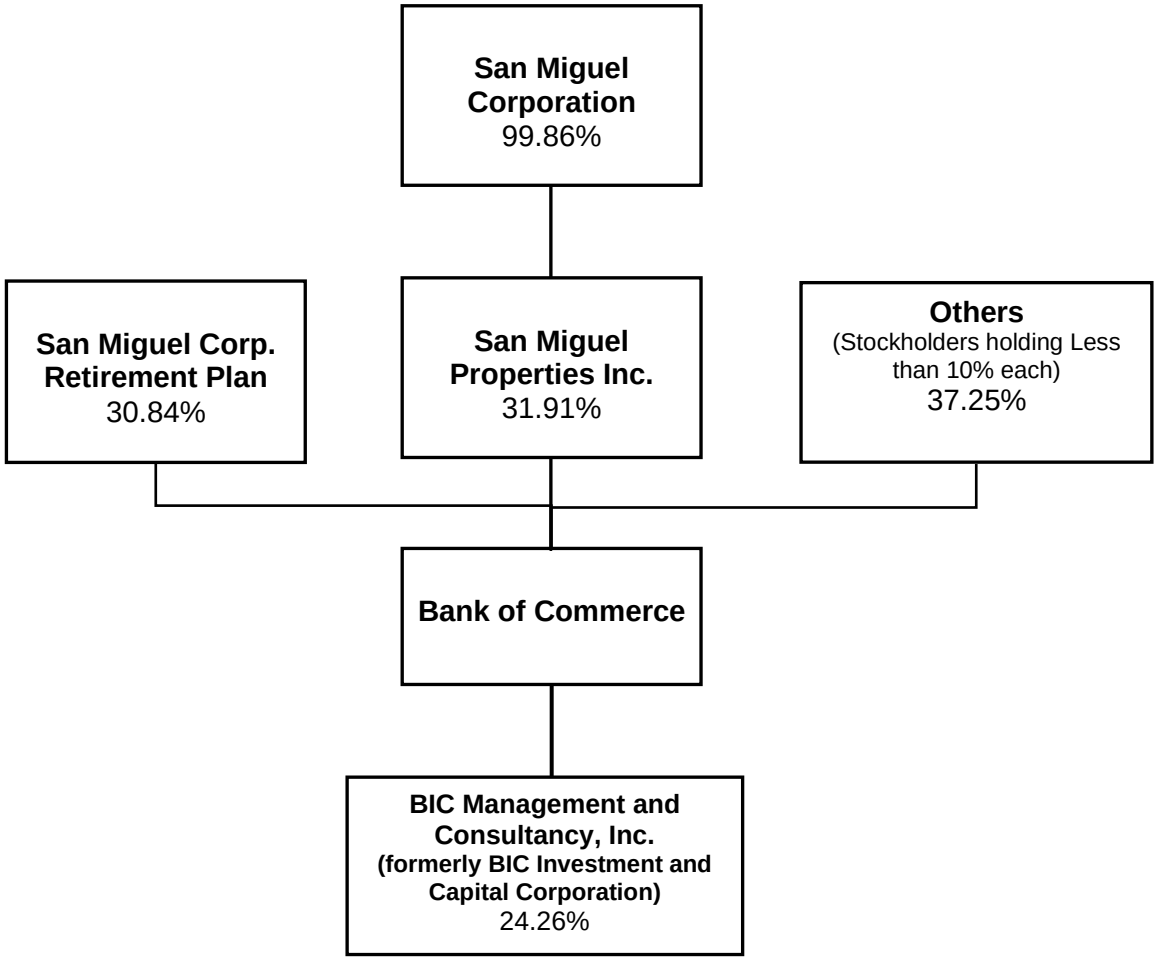
BANK OF COMMERCE

San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City

Unappropriated deficit, beginning of reporting period		**(P233,429,437)**
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Transfer of gain on equity securities at FVOCI realized through disposal	P7,527,455	**7,527,455**
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Retained earnings appropriated during the reporting period	(111,596,965)	**(111,596,965)**
Unappropriated deficit, as adjusted		**(337,498,947)**
Add: Net income for the current year		**2,802,219,175**
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	(186,110,324)	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	(25,842,961)	
Unrealized fair value gain of Investment Property	(220,268,518)	
Sub-total		**(432,221,803)**
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	158,924,397	
Realized fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	3,032,696	
Realized fair value gain of Investment Property	47,574,763	
Sub-total		**209,531,856**
Adjusted Net Income		**2,579,529,228**
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	49,528,660	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction	2,528,107	
Sub-total		**52,056,767**
Total Retained Earnings, end of reporting period available for dividend		**P2,294,087,048**

BANK OF COMMERCE

RELATIONSHIP MAP
DECEMBER 31, 2023



BANK OF COMMERCE

SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2023
(in thousands)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amounts Shown in the Statement of Financial Position	Value Based on Market Quotation at End of Reporting Period	Income Received and Accrued
Financial Assets at Fair Value through Profit of Loss				
Philippine government	**P83,043**	**P83,883**	**P83,883**	**P19,215**
Other government	**91,743**	**96,719**	**96,719**	**2,346**
Private corporations	**199,965**	**190,505**	**190,505**	**-**
Derivatives	**-**	**27,685**	**27,685**	**-**
		P398,792	**P398,792**	**P21,561**
Financial Assets at Fair Value through Other Comprehensive Income				
Philippine government	**P11,030,610**	**P10,850,048**	**P10,850,048**	**P445,723**
Equity securities	**159**	**193,757**	**193,757**	**5,604**
		P11,043,805	**P11,043,805**	**P451,327**
Investment Securities at Amortized Cost				
Philippine government	**P49,443,959**	**P50,305,668**	**P48,921,075**	**P1,659,716**
Other government	**-**	**-**	**-**	**56,625**
Private corporations	**2,045,130**	**2,165,435**	**1,972,848**	**85,657**
		P52,471,103	**P50,893,923**	**P1,801,998**

BANK OF COMMERCE

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2023

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Ending Balance
NONE TO REPORT							
Indebtedness arise in the ordinary course of business.							

BANK OF COMMERCE

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
NONE TO REPORT							

Financial statements are not for consolidation.

BANK OF COMMERCE

SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2023

Type of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown under Caption "Current Portion of Long-Term Debt" in Related Balance Sheet	Amount Shown under Caption "Long-Term Debt" in Related Balance Sheet	Interest Rates	Amounts or Numbers of Periodic Installments	Maturity Dates
Long-term negotiable certificates of time deposit	P5,029,420,000	P -	P5,029,420,000	4.5000%	Quarterly interest payment	September 17, 2025
Bonds payable	7,500,000,000	7,478,265,064	-	5.0263%	Quarterly interest payment	July 29, 2024

BANK OF COMMERCE

SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES
(LONG TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2023

Name of Related Parties	Balance at Beginning of Year	Balance at End of Year	Nature, Terms and Conditions
NONE TO REPORT			
No long term loans from related companies.			

BANK OF COMMERCE

SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2023

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount of Guaranteed and Outstanding	Amount Owned by Person of which Statement is Filed	Nature of Guarantee
NONE TO REPORT *No securities were guaranteed.*				

BANK OF COMMERCE

SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2023

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under the Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by Related Parties*	Directors, Officers and Employees	Others
Common shares	1,702,511,470	1,403,013,920	-	1,060,517,880	623,640	341,872,400
Preferred Shares	455,000,000	416,666,670	416,666,670	416,666,670	-	-

* Include shares held by Principal/Substantial Stockholders
Required information is disclosed in Note 24: Capital Stock

Reports on SEC Form 17-C

	Date of Disclosure	Subject
1	January 4, 2023	Amended Change in Shareholdings of Directors and Principal Officers
2	January 10, 2023	Statement of Changes in Beneficial Ownership of Securities
3	January 10, 2023	Press Release: BankCom trade finance business grows more than 6x since launch in 2019
4	January 12, 2023	Public Ownership Report as of December 31, 2022
5	January 13, 2023	Disbursement of Proceeds and Progress Report (4Q 2022 Report)
6	January 13, 2023	List of Top 100 Stockholders (Common Shares) as of December 31, 2022
7	January 23, 2023	Disbursement of Proceeds and Progress Report (Annual Report 2022)
8	January 3 1, 2023	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion - Resignation of Mr. Donald Benjamin G. Limcaco March 31, 2023
9	January 3 1, 2023	Material Information - Appointment of Ms. Suzanne Sevilla as Chief Information Officer of the Bank
10	January 3 1, 2023	Amended Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion - To include short profile of Ms. Suzanne Sevilla as Chief Information Officer of the Bank
11	February 8, 2023	BankCom Published Balance Sheet as of December 31, 2022
12	February 28, 2023	Notice of 2023 Annual Stockholders' Meeting
13	February 28, 2023	Amendment of Articles of Incorporation - *SEVENTH – The total authorized capital stock of the corporation is PESOS: TWENTY EIGHT BILLION ONE HUNDRED NINETY EIGHTY MILLION SEVEN HUNDRED SEVENTY THREE THOUSAND EIGHT HUNDRED FORTY (P28,198,773,840.00) divided into TWO BILLION THREE HUNDRED SIXTY FOUR MILLION EIGHT HUNDRED SEVENTY SEVEN THOUSAND THREE HUNDRED EIGHTY FOUR (2,364,877,384) common shares with a par value of PESOS: TEN (P10.00) per share; and FOUR HUNDRED FIFTY FIVE MILLION (455,000,000) preferred shares with a par value of PESOS: TEN (P10.00) per share. (As amended on 30 January 2020 and further amended on 08 July 2021). (*As amended on 25 April 2023).
14	February 28, 2023	Amendment to By-Laws - Section 2 of Artcile II - The annual meeting of the stockholders shall be held in the month of May on such day and at such time and place as the Board of Directors may determine. (As amended on 22 September 1988.) (*As amended on 25 April 2023). - Section 1 of Article III - Number, Qualification and Election. – The corporate powers of the Corporation shall be exercised, its business conducted, and its property controlled and held by the Board of Directors, consisting of fifteen (15) members, at least one-third (1/3) but not less than five (5) members of the Board of Directors shall be Independent Directors, provided, that any fractional result from applying the required minimum proportion, i.e., one-third (1/3), shall be rounded up to the nearest whole number. The members of the Board of Directors shall be elected annually by the stockholders entitled to vote and to serve until the election and qualification of their successors. (As amended on 24 April 2012). (*As amended on 25 April 2023). - Section 4 of Article III - Section 5 of Article III - Section 8 of Article III - Section 9 of Article III
15	March 15, 2023	Material Information and Press Release - Bank of Commerce records highest ever Net Income since SMC acquisition
		Material Information - Approval of 2022 Audited Financial Statements
		Preliminary Information Statement
16	March 21, 2023	Changes in Shareholdings of Directors and Principal Officers
17	March 27, 2023	Definitive Information Statement
18	April 3, 2023	Statement of Changes in Beneficial Ownership of Securities

	Date of Disclosure	Subject
19	April 12, 2023	Public Ownership Report as of March 31, 2023
20	April 17, 2023	Annual Report - FY ended December 31, 2022
		List of Top 100 Stockholders (Common Shares) as of March 31, 2023
21	April 18, 2023	Amended - Annual Report - FY ended December 31, 2022
22	April 25, 2023	Results of the 2023 Annual Stockholders' Meeting
		Results of Organizational Meeting
		Amended - Amendments to Articles of Incorporation *SEVENTH – The total authorized capital stock of the corporation is PESOS: TWENTY EIGHT BILLION ONE HUNDRED NINETY EIGHTY MILLION SEVEN HUNDRED SEVENTY THREE THOUSAND EIGHT HUNDRED FORTY (P28,198,773,840.00) divided into TWO BILLION THREE HUNDRED SIXTY FOUR MILLION EIGHT HUNDRED SEVENTY SEVEN THOUSAND THREE HUNDRED EIGHTY FOUR (2,364,877,384) common shares with a par value of PESOS: TEN (P10.00) per share; and FOUR HUNDRED FIFTY FIVE MILLION (455,000,000) preferred shares with a par value of PESOS: TEN (P10.00) per share. (As amended on 30 January 2020 and further amended on 08 July 2021). (*As amended on 25 April 2023).
		Amended - Amendments to By-Laws - Section 2 of Article II - The annual meeting of the stockholders shall be held in the month of May on such day and at such time and place as the Board of Directors may determine. (As amended on 22 September 1988.) (*As amended on 25 April 2023). - Section 1 of Article III - The corporate powers of the Corporation shall be exercised, its business conducted, and its property controlled and held by the Board of Directors, consisting of fifteen (15) members, at least one-third (1/3) but not less than five (5) members of the Board of Directors shall be Independent Directors, provided, that any fractional result from applying the required minimum proportion, i.e., one-third (1/3), shall be rounded up to the nearest whole number. The members of the Board of Directors shall be elected annually by the stockholders entitled to vote and to serve until the election and qualification of their successors. (As amended on 24 April 2012). (*As amended on 25 April 2023). - Section 4 of Article III - Section 5 of Article III - Section 8 of Article III - Section 9 of Article III
23	May 12, 2023	Quarterly Report - as of March 31, 2023
		Press Release: Bank of Commerce 1Q23 jumps 98%, beats Full Year pre-pandemic profit
24	May 17, 2023	Material Infromation - Published SOC as of March 31, 2023]
25	May 25, 2023	Change in Shareholdings of Directors and Principal Officers
		Other SEC Forms, Reports and Requirements - 2023 General Information Sheet
		Change in Shareholdings of Directors and Principal Officers
26	May 30, 2023	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion) - Resignation of Independent Director Winston A. Chan effective close of business hours of May 30, 2023
		2022 Integrated Annual Corporate Governance Report for Bank of Commerce
		Amended - 2022 Integrated Annual Corporate Governance Report for Bank of Commerce
27	May 31, 2023	Change in Shareholdings of Directors and Principal Officers
		Statement of Changes in Beneficial Ownership of Securities
28	June 13, 2023	Press Release/Material Information: BankCom's OFW remittances rose 30% in Q1
29	June 26, 2023	Other SEC Forms, Reports and Requirements - Certificate on Qualification of Independent Director, Mr. Leonardo J. Matignas, Jr.
30	June 27, 2023	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion - Election of Independent Director Leonardo J. Matignas, Jr.
		Material Information: Election of Independent Director Leonardo J. Matignas, Jr. Changes in Board Committee Memberships
		Initial Statement of Beneficial Ownership of Securities

Date of Disclosure		Subject
31	July 5, 2023	Press Release/Material Information: BankCom re-fleets its ATM network with advanced security and user-friendly features
32	July 6, 2023	Other SEC Forms, Reports and Requirements - Amended 2023 General Information Sheet
33	July 11, 2023	Public Ownership Report
34	July 14, 2023	List of Top 100 Stockholders (Common Shares)
35	August 8, 2023	Change in Shareholdings of Directors and Principal Officers
36	August 9, 2023	Press Release/Material Information: BankCom's 1H23 Net Income 1.8X of prior year
37	August 14, 2023	Quarterly Report / SEC Form 17-Q (2nd Qaurter)
38	August 15, 2023	Amended 1 Quarterly Report / SEC Form 17-Q (2nd Qaurter)
39	August 16, 2023	Change in Shareholdings of Directors and Principal Officers
40	August 18, 2023	Amended 2 Quarterly Report / SEC Form 17-Q (2nd Qaurter)
41	September 1, 2023	Statement of Changes in Beneficial Ownership of Securities
42	September 8, 2023	Material Information: Bank of Commerce Published SOC as of June 30, 2023
43	October 12, 2023	Public Ownership Report
44	October 16, 2023	List of Top 100 Stockholders (Common Shares)
45	November 14, 2023	Press Release/Material Information: BankCom's Q3 performance tops FY 2022 Net Income
		Quarterly Report / SEC Form 17-Q (3rd Qaurter)
46	November 29, 2023	Material Information: Published SOC as of September 30, 2023
47	November 30, 2023	Press Release/Material Information: Bankcom accelerates digital transformation, partners with Infosys Finacle
47	December 14, 2023	Press Release/Material Information: BankCom sees market growing for its savings, all-in-one remittance, and investments platform for OFWs in Japan
49	December 19, 2023	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion - Resignation of Senior Officer (Mr. Joel T. Carranto)

SUSTAINABILITY REPORT

Contextual Information

Company Details	
Name of Organization	BANK OF COMMERCE (BankCom)
Location of Headquarters	San Miguel Properties Centre, 7 St. Francis Street, 1550 Mandaluyong City
Report Boundary: Legal entities (e.g., subsidiaries) included in this report	BankCom has no subsidiaries. As such, this Report discloses the sustainability performance indicators limited to BankCom.
Business Model, including Primary Activities, Brands, Products, and Services	An affiliate of San Miguel Corporation (SMC) since 2008, Bank of Commerce is a publicly-listed universal bank focused on helping its clients, communities and conglomerate partners by delivering the best choice of financial services harnessing the strengths of the SMC Group. Bank of Commerce is identified by its logo bearing the SMC symbols of escudo and cloverleaf, and by the trademark license short name "BankCom" granted by the Intellectual Property Office (IPO) in 2020. BankCom traces its origins to the Overseas Bank of Manila which opened in Binondo, Manila in 1963. BankCom provides innovative banking solutions and a complete range of products and services in deposit, commercial loans, credit card services, consumer banking, transaction banking, corporate banking, treasury, investment banking, asset management, and trust and investments. The Bank has a network of 140 branches 242 automated teller machines (ATMs) as of 31 December 2023 strategically located nationwide.
Reporting Period	January 1 to December 31, 2023
Highest Ranking Person responsible for this report	Antonio S. Laquindanum, EVP & Chief Financial Officer

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Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.
In determining material topics, BankCom reviewed which topics could have positive and negative impacts to the realization of its Vision and Core Purpose. The Bank also considered which topics could be of interest to its primary and secondary stakeholders, particularly how risks and opportunities on each topic could affect the stakeholders. The Bank also studied specific material topics in the financial industry by reviewing international standards on sustainability reporting, publicly available methodologies of third-party rating providers, as well as local regulations, particularly the circulars issued by the Bangko Sentral ng Pilipinas (BSP) on Sustainable Finance and the Implementation of the Environmental and Social Risk Management System (ESRMS). The Bank also identified topics that contribute to its Environmental, Social, Governance (ESG) Focus Areas as outlined in its ESG and Sustainability Framework (ESGSF) Manual: • **Business Model & Innovation** – Guided by our core values and service promise, we commit to deliver banking services through competent and attentive individuals, innovative digital solutions and segment-driven programs that put customers' needs first. • **Human Capital** – We provide skills training and focus on employee engagement so we can develop and nurture an innovative, customer-focused and resilient team. • **Leadership & Governance** – We remain vigilant in maintaining sound banking practices and methods through a rigorous system of checks and balances based on risk management programs that are continually reassessed and updated. • **Environment** – We responsibly manage resources and continue to improve our operational efficiency. With our improved operational efficiency, we minimize the impact of our internal processes to the environment. • **Social** – We strive to make banking inclusive, fair and accessible to financial consumers while ensuring that our products and services are developed and operated in the best interest of our depositors and other stakeholders. In addition, the Bank also considered the priority topics identified in the materiality analysis of its parent company, San Miguel Corporation. This materiality process is managed by a cross-functional technical working group assigned to facilitate the Bank's ESRMS. As BankCom continues to improve its processes, enhance its policies and develop responsive products and services, its materiality process and topics will be reviewed and updated accordingly.

List of Material Topics

Business Model and Innovation	Human Capital	Environment	Social	Leadership and Governance
Direct economic value generated to stakeholders Products and Services Contribution to SDG	Diversity, Equal Opportunity and Anti-Discrimination Employee Hiring and Benefits Employee Training Occupational Health and Safety	Resource Consumption Environmental Impact Management	Community Involvement Customer Privacy Procurement Practices Consumer Financial Protection	Supply Chain Accreditation Policy Business Ethics and Anti-Corruption Climate Risk Management

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	2022 (in million Pesos)	2023 (in million Pesos)
Direct economic value generated (revenue)	8,117	9,975

Direct economic value distributed:		
a) Operating costs, including payments to suppliers and third party service providers	5,484	6,159
b) Employee wages and benefits	1,905	2,258
c) Interest payments[1]	1,283	3,466
d) Taxes paid/remitted to the government[2]	1,482	1,861

As a universal bank, BankCom plays a critical role in economic growth through its delivery of financial services across the country. BankCom has been instrumental to the viability and continued expansion of small- and medium-scale industries, middle market establishments, and large corporates and conglomerates in various sectors, including beverages, food, packaging, energy, fuel and oil, infrastructure, property development and leasing, cement, car distributorship, and related financial services. Through its deposit, consumer credit, and corporate lending, trade, investment banking, trust, treasury management and remittance facilities, BankCom has enabled Filipino individuals and companies to achieve their financial goals and meet day-to-day transactional requirements. With a network of 140 branches located nationwide and online banking channels, BankCom provides retail and institutional financial consumers with secure and efficient access to professionally designed and executed financial products.

Following the Bank's successful initial public offering (IPO) at the Stock Exchange and its remarkable performance in recent years, BankCom has created value for its investors by increasing value per share through record breaking profits. BankCom's continuous growth over the years has resulted in a number of employment opportunities across its business segments. BankCom contributes to the financial security of its employees by providing fair wages, as well as medical and retirement plans for regular employees.

The direct economic impact of BankCom transcends business-related contributions through its support to the economy through fair payment of taxes, implementation of a wide-range of corporate social responsibility programs, and supporting local suppliers including small and medium enterprises. For the past two years, BankCom has been recognized by the local government of Mandaluyong City for being among the city's top taxpayers. The Bank also provided monetary support to communities through its CSR program, sponsorships, and donations to schools, charity, and non-profit organizations.

Stakeholders Affected

- Employees
- Customers

[1] 2022 data updated to include the following: deposits, bonds and bills payable
[2] Provision for income tax, license payments and real property tax

- Shareholders
- Government
- Community

What are the risks identified?	**Management Approach**
BankCom is exposed to external risk events that directly affect the financial system, such as but not limited to: • Changes in financial consumer preferences, income level, and purchasing power; • Increases and changes in applicable taxes, taxation laws, tax incentives; • Fluctuations in foreign currency exchange rates and interbank interest rates (Fed and BSP); • Increases and changes in BSP reserve requirement ratio (RRR), ceiling on credit card interest rate, fund transfer fees, and other service fees. Other major potential risks that may adversely affect BankCom's ability to contribute to the economy include: • Climate change risks in BankCom's operations and value chain may result in increased costs due to physical risks[3] and reduced revenue due to legal, technology, market, and reputation risks. • Failure of controls to identify and mitigate business ethics issues such as improper accounting practices, money laundering, bribery, aggressive and/or mis-selling of financial products and services may result in significant financial impact, not to mention long-term reputational damages. Governance, environment, and social issues when not managed or mitigated also have an effect on BankCom's capacity to directly contribute to the economy. These risks are part of the material topics to be discussed in the subsequent sections of the report.	BankCom maintains a strong risk management framework to identify, assess, and mitigate financial risks that may impact its core businesses. The Bank's Risk Management Manual embodies this framework, outlining specific guidelines and processes on risk management. These are integrated into the operating policies of relevant units and undergo regular review by a designated Risk Management Officer. Additionally, BankCom formulates an annual Risk Appetite Statement to guide decision-making across various transactions. The Bank provides a monthly report to the Board Risk Oversight Committee (BROC) and the Board of Directors (BOD) which covers BankCom's current exposure across various risk types, including financial risk, credit, market, liquidity, operational, and information technology risks. Based on this information, the BROC and BOD make decisions regarding additional controls needed to effectively manage these risks. Financial Risk Management Objectives, Structure, and Policies are outlined in the SEC 17-A Report. Climate change risks likewise form part of BankCom's overall risk management framework through the ESRMS. This is outlined in the Climate-related Risks and Opportunities section of this report. BankCom implements a Compliance Program to ensure that any risk associated with non-compliance to laws and regulations, and business ethics are mitigated. It is implemented using a three-pronged approach: self-assessment by business units, independent compliance testing conducted by the Compliance Division, and validation by Internal Audit Division. BankCom's compliance policies and programs are overseen at the high-level by the Board and its

[3] These refer to damage to property and assets arising from increased severity of extreme weather events; changes in precipitation patterns and extreme variability in weather patterns, as well as rising mean temperatures and sea levels, which affect operations and facilities, resulting in loss/lower value of certain assets and that of clients.

	Board-level committees. The Corporate Governance Committee (CGCOM) ensures due observance of corporate governance principles and guidelines across the Bank. Along with the Anti-Money Laundering (AML) Committee, they are tasked to oversee the effective implementation of the Bank's compliance with money laundering, proliferation financing and terrorist financing prevention program and policies. On the other hand, the BankCom's Related Party Transactions committee ensures that transactions with related parties are conducted at arm's length thereby ensuring instances of conflicts of interest are mitigated.

What are the opportunities identified?	**Management Approach**
BankCom recognizes opportunities to further contribute directly to the economy: • Expand its customer base particularly for Small, and Medium Enterprises; • Provide banking solutions, products and services that cater to a wide range of customers, including increasing service reach across sectors and communities; • Continue to make meaningful contributions beyond financial performance through increased investments in community development, financial literacy, and volunteerism; • Support the country's financial inclusion agenda through utilizing technologies to further strengthen and expand its digital banking solutions.	BankCom continues to identify and develop new ways to enhance shareholder value and maintain significant and sustainable profitability and growth. Priority strategies include strengthening core business income, optimizing cross-selling activities, ramping up participation in capital markets, innovation of products and services, and developing SMC ecosystem and affiliates to support loans expansion. Digitalization and automation are key to BankCom's growth agenda. This includes increased investments in information technology and financial technology infrastructure to improve customer service and touchpoints. The Bank's IT roadmap includes combining cash recycling with a more robust ATM network, deploying automation projects to make business units run more efficiently, and building the infrastructure to expand stable sources of fee revenue streams. This also includes introduction and/or expansion of digital banking solutions, particularly on the mobile app BankCom [Personal] and corporate internet banking or BankCom [Business] platform, ensuring accessibility and ease-of use for clients. The Bank is continuously implementing programs to increase the efficiency of its operations, extend remittance partnerships, strengthen branch and account management networks, build brand and product visibility, and transfer technology from its IT and payment network partners.

	BankCom's Corporate Social Responsibility (CSR) program has contributed to community development and environmental stewardship through events organized in partnership with San Miguel Foundation and partner-clients. For more information, see CSR under the Sustainable Development Goals (SDG) Contribution Section.

Climate-related risks and opportunities

Governance

The role of governance bodies and senior management in assessing and managing climate-related risks and opportunities is captured in the Bank's Environmental and Social Risk Management Framework, embedded in the Bank's ESG and Sustainability Framework Manual ("ESG Manual").

- The **Board of Directors (BOD)** determines the overarching direction, implementation, and strategies of the Bank on sustainability. The Board leads the Bank's adoption of sustainability principles through incorporating them into the corporate governance framework as well as in the Bank's strategic objectives and operations, risk strategy, risk appetite and risk management policies and procedures. The Board approves the BankCom's ESRMS, keeps track of its progress in meeting its environmental and social (E&S) strategic objectives and targets, and ensures that issues and challenges are addressed.

- Two Board-level bodies, the **Corporate Governance Committee (CGCOM)** and the **Board Risk Oversight Committee**, oversee BankCom's implementation of ESG regulations issued by the Securities and Exchange Commission (SEC) and the BSP. The CGCOM ensures that sustainability principles are integrated in the corporate governance framework, strategies, and operations of the Bank. One of the duties of the CGCOM is to oversee the reporting and disclosure of ESG information. This covers adherence with existing regulations and ethical obligations toward stakeholders. The BROC, on the other hand, oversees the Bank's adherence to the risk appetite statement, risk policy, and ESG-related risk limits.

- The **Senior Executive Team (SET)** is responsible for managing the execution of the Board-approved strategies and policies in relation to BankCom's sustainability objectives. They ensure that BankCom's activities are aligned with the overall E&S strategic objectives and target and that methodologies and tools that will effectively identify, quantify/measure, monitor and control E&S risks are adopted.

- The **ESG Technical Working Group (TWG)** composed of heads and representatives of Risk Management Division, Corporate Communications and Consumer Protection Division (CCCPD), and Compliance Division executes the approved direction and strategies as well as facilitates the adoption of tools to identify and assess E&S risks in relevant business units. The TWG also oversees the formulation, approval, and implementation of policies, procedures, and processes, to monitor and control identified E&S risks. Its designated members apprise the BOD, CGCOM, and BROC on BankCom's exposures to E&S risks and the status of implementation of BankCom's sustainability program.

- **The Internal Audit Division and Compliance Division** are responsible for assessing the Bank's adherence to policies related to managing E&S risks and evaluating the effectiveness and relevance of said policies.

Strategy

BankCom is aware that environmental concerns and climate change could seriously jeopardize the long-term viability of its core businesses and financial stability. First, there is a chance that the company could suffer financial losses as a result of structural damage brought on by earthquakes, flooding, and other extreme weather events. Second, when climate, environmental, or social risk impacts borrowers and/or their collateral, the lending institution's financial stability is put at risk.

BankCom is cognizant that environmental risks translate to financial risks, as both physical and transition[4] risks affect businesses, households and the economy. This will ultimately affect BankCom's level of exposure to financial, operational, and other types of risks.

Risk	
Acute Physical	Damage to property and assets arising from increased severity of extreme weather events
Chronic Physical	Changes in precipitation patterns and extreme variability in weather patterns, as well as rising mean temperatures and sea levels, which affect operations and facilities, resulting in loss/lower value of certain assets and that of our clients
Technology	Cost requirements to transition to lower carbon operations
Policy and Legal	Energy transition policies such as carbon tax, and enhanced disclosure requirements on emissions
Market	Shifting sentiment for high carbon companies, and increased cost of input materials which can affect borrowers
Reputation	Negative stakeholder feedback and/or increased investor concern/oversight

Opportunities	
Resource efficiency	Reduction of energy consumption
Energy Source	Use of green/low carbon sources resulting in energy efficiency and cost savings
Product and Services	Development of green products and services that cater to shifting consumer preferences and support sustainability initiatives of corporate clients

At the strategic level, both physical and transition risks are included in the formulation of BankCom's Risk Appetite Statement. It guides the decision making on various transactions of the Bank for each type of risk—credit, market, liquidity, operational, reputation, information technology. Further, climate considerations form part of the methodology of the stress testing activity under the internal capital adequacy assessment process (ICAAP). Credit stress test scenarios were applied to the high-risk industries in the Bank's portfolio that are particularly vulnerable to ESG factors such as climate change, social concerns and governance or reputational issues.

[4] Transition risks (technology, policy, legal, market, and reputation risks) result from the global shift towards a more sustainable, net-zero economy.

Risk Management

The BSP has released a series of policies aimed at strengthening climate risk management of BSP-supervised financial institutions (BSFIs). In 2020, BSP issued Circular No. 1085 on the Sustainable Finance Framework. The Circular sets out the BSP's expectations on the integration of sustainability principles in the corporate governance and risk management frameworks and the strategic objectives and operations of banks. This was followed by Circular No. 1128 which provides specific guidance on how to integrate E&S Risk Management in the operational risk management and credit risk management of banks. BSP also issued Circular No. 1149 outlining the expectations on the integration of sustainability principles in the investment activities of banks. BankCom complies with the requirements of the BSP and has instituted an ESRMS. Through this, the identification, assessment, and management of climate risks are integrated in BankCom's credit risk and operational risk management system.

For its own operations, BankCom conducts physical hazard assessments in its branch site selection and monitoring and conducts the implementation of a supplier sustainability questionnaire (SSQ) to identify and understand sustainability risks in the supply chain. BankCom also regularly assesses and monitors climate risks through its Risk and Control Self-Assessment (RCSA) and Business Impact Analysis (BIA) Processes.

Physical risks from climate change are considered in the Bank's Business Continuity Plan. BankCom has a Business Continuity Management (BCM) Committee headed by the Branch Banking Group Head and composed of SET members, other senior executives, managers, and employees in critical positions. The BCM Committee provides direction and decision-making on proposals for new or amended business continuity facilities and policies, disaster recovery (DR) testing activities, and IT infrastructure requirements.

On climate change impact on the Bank's lending portfolio, BankCom has already integrated ESG/climate consideration in the credit process through the updating of forms used in credit evaluation to identify, assess, measure and monitor ESG/climate risks. BankCom is also requiring its borrowers, whose projects have material environmental impact, to provide a copy of the Environmental Clearance Certificate (ECC) as one of the requirements to secure a loan facility.

BankCom has started to identify which industries in its credit portfolio have an increased risk of climate change impacts. The portfolio exposures to high-emitting sectors are disclosed in its Annual Report.

BankCom's ESG Project Team monitors existing and emerging regulatory requirements as well as conducts reviews of best practices and industry trends and regular stakeholder engagement to monitor emerging E&S risks. The results of these monitoring activities are reported to the BOD and/or relevant Board committees.

Metrics and Targets

BankCom has set an initial emissions reduction target in its portfolio through setting limits in the financing of non-renewable energy sources. Starting 2023, the Bank measured the CO2 equivalent of its Scope 1 and 2 greenhouse gas emissions (See section on Greenhouse Gas Emissions). The Bank is preparing a climate change strategy starting with the collection of baseline data on the aggregate emissions and emissions intensity of its operations and value chain and the conduct of climate risk assessments.

Procurement Practices

Proportion of spending on local suppliers

Percentage of procurement budget used for significant locations of operations that is spent on local suppliers[5]	2022	2023
(a) Construction	67%	43%
(b) Consumables	100%	100%

Percentage of local/Philippine-based suppliers that underwent the accreditation process in 2023	97%

BankCom recognizes the importance of suppliers in the success of its operations. BankCom's branches operate in strategic locations nationwide. In order to ensure the safety and convenience of its customers, proper, timely and cost-effective maintenance of these facilities is essential. This requires a dependable source of construction services and materials that meet the Bank's standards and criteria.

Moreover, in the course of fulfilling over-the-counter transactions at these branches, certain consumables need to be constantly replenished, such as account opening forms, transaction media, passbooks, and checkbooks. Particularly for materials which have stringent security requirements, such as checks, these require sourcing from local suppliers which are already accredited within the banking industry.

The Bank of Commerce procures majority of its consumables from local businesses, contributing to the economy in areas where BankCom operates. Further, 97% of all accredited suppliers are local/Philippine-based. Information on the BankCom's accreditation process is provided in the Supplier Accreditation Policy Section. The Bank also supports the growth of small and medium enterprises through its procurement activities.

Procurement from local suppliers also help support the environment through lower carbon footprint resulting from lower transportation costs, compared to procuring goods and services from foreign sources.

Stakeholders Affected

- Suppliers
- Communities
- Employees
- Management

What are the risks identified?	**Management Approach**
While local procurement mitigates certain risks compared to foreign sourcing, BankCom may still be exposed to certain risks that may affect the effectiveness and quality of the supply chain. Any material deviation from policies and	BankCom has an established procurement process as well as an accreditation process for new suppliers. This ensures that the sourcing of services and materials is fair, cost-effective, and consistent with standards for quality and track record.

[5] The data covers both capital expenditure such as for branch renovations/repairs including updating of signages and other branding elements, and operating expenses such as replenishment of pre-printed forms and other transaction media used in branch over-the-counter transactions.

processes in supplier selection, negotiation, and delivery of materials and services concerned may severely affect BankCom's reputation and profits. Such could be the result of fraud and corruption, lack of fairness and transparency in third-party dealing, or lack of capacity to select and manage contracts. For example, the use of substandard materials and contractors or service providers with documentary deficiency (e.g., updated licenses) or known history of poor performance will negatively impact workmanship and actual cost, timeliness and quality of deliverables, and the Bank's reputation or compliance. These may affect the safety of BankCom's customers and employees, assessment of investors and stock analysts, and the image of its brand. In addition, failure to meet quality standards may result in requiring rework which entails additional time and cost. This may result in customer dissatisfaction, an increase in customer complaints, and potential negative publicity. In turn, this may result in customer attrition.	A Bids and Awards Committee (BAC) executes the Bank's standards and policies on vendor accreditation and selection. BankCom's procurement and evaluation process for third party service providers, including the approval process, are documented in operating manuals and desk manuals which are reviewed regularly and updated accordingly. For example, proposals for branch repairs, renovations, and relocations are presented to the SET for approval. This includes a comparison of cost estimates submitted by candidates and remarks about previous engagements with them. Depending on the total cost, the proposal may be endorsed further to the BOD for approval. Another example is that every year, third party service providers are subject to a performance evaluation conducted by the concerned business or support unit. The results of the performance evaluation are used in making decisions when new requests for materials or services are submitted for canvassing. Moreover, suppliers and employees are expected to abide by BankCom's policy on solicitation or acceptance of gifts, favors and entertainment, including sponsoring of non-company activities and events.

What are the opportunities identified?	**Management Approach**
BankCom continues to explore qualified local contractors and third-party service providers who have a track record with other banks or banking associations, and which can meet the Bank's requirements according to its standards. Further, the implementation of an Environmental and Social Risk Management System (ESRMS) covering the operations of the Bank created the opportunity to ensure sustainability considerations are extended to the Bank's supply chain, covering the suppliers' human rights, labor, and environmental management, among others, along with the sustainability elements of the products they offer.	Suppliers are required to submit a SSQ. The SSQ is a tool that helps the Bank understand the environmental and social practices of suppliers and how they manage sustainability-related risks in their business activities. More information is provided in the **Supplier Accreditation Policy** section.

Anti-Corruption

Training on anti-corruption policies and procedures

Disclosure	2022		2023	
Percentage of employees to whom the organization's anti-corruption policies and procedures have been cascaded	100%	1920 qualified employees	100%	1976 qualified employees
Percentage of directors and management that have received anti-corruption training	100%	18 SET 15 BOD	100%	18 SET 15 BOD
Percentage of employees that have received anti-corruption training	100%	1920 qualified employees	100%	1976 qualified employees
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been cascaded	100%	Policy is required to be signed by **all** existing/active suppliers and service providers	100%	Policy is required to be signed by **all** existing/ active suppliers and service providers

Incidents of Corruption

Indicator	2022	2023
Number of incidents in which directors were removed or disciplined for corruption	0	0
Number of incidents in which employees were dismissed or disciplined for corruption	0	0

Bribery and corruption have an adverse effect on the stability and legitimacy of financial institutions, translating to adverse impacts to the economy and society. Serious misconduct and unethical practices could lead to long-term reputational damage due to loss of confidence of stakeholders, particularly regulators, clients, and employees, in the Bank.

Similarly, criminal financial practices such as money laundering and proliferation financing compromise the financial sector, threaten economic development, and destabilize peace, law and order. Strict regulations are implemented by governments worldwide to prevent banks from facilitating such illicit transactions.

BankCom believes that banking is a public trust. BankCom, as a financial institution, places the interests of its customers and the public at the forefront of its existence. It firmly believes that maintaining public trust necessitates unwavering integrity, proven expertise, and dedicated effort. The BankCom's core values revolve around enhancing the lives of its stakeholders, keeping their trust, striving for excellence, while ensuring prudence. BankCom does not tolerate bribery and corruption and is seriously committed to prevent money laundering, terrorist financing and proliferation financing. The Bank upholds the highest moral standards in the way it conducts business and makes sure it does not become a channel for illicit

funds or a victim of money laundering. The Bank's policy commitments are backed by strong risk management and compliance programs against such unethical and illegal activities. These topics are a key focus of the Bank's corporate governance, risk management, compliance and human resource management programs.

Stakeholders Affected

- Shareholders
- Depositors
- Customers
- Employees
- Government
- Public

What are the risks identified?	**Management Approach**
Bribery and corruption can occur during interactions or transactions between the Bank's employees and the parties they deal with, such as when securing decisions from government officials, clients, procurement, or hiring. Charitable and political donations and receiving and accepting gifts and entertainment can also be construed as bribery and corruption when proper procedures and designed limits are not followed. Conflicts of interest can occur in situations when self-serving interests by individuals become a factor in their professional actions and decisions. This could include providing preferences to personal connections in hiring and procurement or exploiting their position or authority for personal gain such as self-dealing and distribution of non-public information. Money laundering, terrorism financing, and proliferation financing can occur when there is an ill-intent from individuals or entities to process monetary proceeds or accounts obtained from illegal sources and/or failure of processes to prevent and to detect their use, or attempted use, for money laundering or terrorist financing purposes or funds or financial services which are used for the proliferation of weapons of mass destruction.	The Bank has various policies in place to ensure that its actions and decisions comply with high standards of integrity and follow ethical and legal approaches. • **Trust Investment Guidelines** for BankCom employees, including portfolio managers and traders covers instances of processing transactions belonging to the employee, relatives and related entities. BankCom employees are prohibited to use Bank proprietary information and other non-public information to advance their own interest. • **Related Party Transactions Policy** ensuring that certain transactions involving Related Parties, which present a heightened risk of conflicts of interest or the perception thereof, are entered into on arm's length bases and are consistent with the Bank's and its stakeholders' best interests. • **Policy on interlocking positions and secondment of Director and Officers** • **Code of Professional and Ethical Standards for Treasury Personnel** covering responsible marketing and sales, insider trading, fair dealing, disclosure of conflicts of interest, among others. • **Policy on solicitation or acceptance of gifts** prohibit soliciting and accepting gifts, favors and entertainment, including sponsoring of non-company activities and

	events. • The Bank's **Code of Conduct** reiterates that employees should exercise responsible and ethical business practices, including avoiding conflict of interest. New employees are required to acknowledge the Code of Conduct during onboarding. The Bank regularly reviews its policies, updates them whenever necessary, and communicates them to all its officers and employees through regular advisories and an annual training program. The Bank has a **Whistleblowing Policy** that enable the protection of "whistleblowers" and conduct of due process in case of reports by employees and third parties on the commission of fraud, criminal offenses, corruption and bribery, serious danger, disregard of Bank policy, or deliberate concealment of the foregoing, by an employee or unit of the Bank. The Bank provides confidential channels for reporting persons and has a policy against reprisal or retaliation. To prevent the risk from AML, the Bank has a **Money Laundering and Terrorist Financing Prevention Program (MTPP)** ensures compliance with the Anti-Money Laundering law, rules, and regulations that is approved by its Board of Directors. It is regularly updated or as need arises to reflect the constantly evolving regulations, the emerging money laundering/terrorist financing risks, and global best practices. The Corporate Governance Committee, a board-level committee, receives monthly reports on AML compliance and monitoring from the Anti-Money Laundering Management Department (AMLMD) of the Compliance Division. AML concerns are escalated to the AML Committee, a management group whose main duty is to oversee the Bank's effective and correct compliance with relevant laws and the Bank's MTPP. The AML Committee, which consists of representatives from Compliance Division, Risk Management Division, Operations Group, Treasury Group, Trust Services Group, Legal Services Group and Branch Banking Group, meets monthly or more frequently as needed.

	The AMLMD is in charge of ensuring that the Bank's MTPP is implemented correctly and efficiently. This involves using a risk-based approach to implement customer due diligence policies and procedures, record retention policies, a system for promptly capturing and reporting covered transactions, investigating suspicious alerts and reporting as necessary upon approval of the AML Committee, and creating and conducting regular and special training to Bank personnel. In addition, the Compliance Division of the Bank also conducts independent testing of branches and head office units, and is able to identify the segment in the operational process where money laundering, proliferation financing and terrorist financing risks are higher. The Bank's policies, processes, and procedures on preventing financial crime are outlined in the Bank's Wolfsberg Questionnaire available on the BankCom website.
What are the opportunities identified?	**Management Approach**
Further training on anti-corruption and anti-bribery, supplemented by more frequent advisories and awareness campaigns about the Bank's policies related to anti-corruption and anti-bribery can be developed and rolled out.	The Bank continues to promote awareness and accountability on anti-corruption and anti-bribery through its E-Learning Training Program and New Employees Orientation (NEO) for employees, and Corporate Governance training for the BOD and SET. Elements of anti-corruption or anti-bribery e.g., on conflict of interest, are included in the Bank's current training programs delving on anti-money laundering, financial consumer protection, and corporate governance. These are included in training courses on Corporate Governance, Anti-Money Laundering (AML), NEO, and those intended for branch officers and staff members. Training on AML is implemented bank wide and on a regular basis. Employees are required to reach a minimum score of 80% to pass. The Bank's Compliance Division, in partnership with HRMDD, constantly enhances the Bank's training program to equip bank personnel with appropriate knowledge to achieve the Bank's goal of promoting effective implementation of the AML/CFT policies and procedures in the entire organization.

ENVIRONMENT

Resource Management

Energy consumption within the organization

Indicator	2022	2023
Total electricity consumption (in kwh)	6,162,541	5,429,641
(a) Head Office	1,600,987	1,648,431
(b) Manila TAT Building	499,314	472,232
(c) Branches	4,062,240	3,308,978
Electricity use intensity (kwh/employee)	3,304.31	2,747.79

Indicator	2022	2023
Percentage of LED, CFL, and other energy-saving lamps to total electric lighting devices (%)		
(a) Head Office	LED (20%); CFL (80%)	LED (30%); CFL (70%)
(b) Manila TAT Building	LED (10%); CFL (90%)	LED (10%) - CFL (90%)

Indicator	2022	2023
Total energy consumption (gasoline and diesel) (in liters)	28,420.25	182,942.57
(a) Head Office	17,871.45	8,627.72
(b) Manila TAT Building	2,300.00	750.00
(c) Branches	8,248.80	173,564.85

BankCom's direct environmental impact is through its business operations, primarily in the resources consumed for the effective functioning of offices, branches, data centers, and other information technology and physical facilities. BankCom uses grid electricity to power its facilities and uses fuel for bank-assigned cars used for official business activities (i.e motor pool) as well as for the regular testing/maintenance of generator sets and use during power interruptions.

The data for 2023 is higher compared to 2022 due to improved data collection on fuel usage with the issuance of Petron cards to branch officers for official business use such as client and marketing-related travel.

Despite improvements in increasing clean energy capacity, the Philippines' source for energy generation is still mainly coal and natural gas. The burning of fossil fuels results in greenhouse gas emissions that directly contribute to worsening global warming. The Bank aims to manage its environmental impacts by identifying and pursuing ways to reduce operational carbon footprint through instituting resource management policies, evaluating the use of green technologies, and participating in activities to create positive environmental impacts.

Stakeholders Affected

- Employees
- Management

- Shareholders
- Customers
- Communities

What are the risks identified?	Management Approach
As the government's policy gradually shifts towards promoting the use of energy-efficient technologies and boosting renewable energy use, BankCom may be affected in the following ways: • Higher energy costs due to the use of outdated and inefficient technologies • Reputational risk when benchmarked with other organizations with more pronounced sustainability initiatives within their operations • Regulatory penalties for failing to comply with potential/upcoming environmental regulations promoting low-carbon operations	BankCom is mindful of its usage and looks for ways to reduce energy consumption. The Bank's General Services Division (GSD), which is part of the Operations Group, monitors the energy consumption of the Bank's physical facilities. The ESG TWG works with GSD to come up with recommendations on how to manage energy consumption, e.g., shifting to LED lights, solar panels, and similar devices, and ultimately, to contribute to the achievement of the National Government's goals on energy. As early as 2005, BankCom had already issued a policy on cost management. The policy prescribes specific measures to manage the usage of the lighting system, air-conditioning system, electric fans and office appliances, and water conservation. The ESG TWG is studying expanding this policy into a more comprehensive environmental management framework. The Bank also conducts regular preventive maintenance of generator sets and Bank-assigned vehicles. The Bank also continues to utilize online platforms to conduct meetings and webinars, which contributes to the reduction of fuel consumption for travel.

What are the opportunities identified?	Management Approach
Shifting to energy-efficient technologies and/or renewable energy can have benefits for the organization such as lower energy costs and improved operational efficiency, differentiation from competition, and attracting and retaining environmentally conscious customers and employees.	The Bank is currently reviewing suggestions for streamlining different branch and transaction banking operations, through its Operations Committee, which may result in better management of working hours and physical facilities. The Bank sees the adoption of modern technologies and energy-saving architectural designs for branch and head office operations. These include replacing desktops and old servers with more efficient laptops and IT hardware, and hard phones with virtual IP phones; designing branches with LED fixtures, right-sized air-

	conditioning systems, and readiness for possible installation of net metering systems in the future. ESG education for employees has started in 2023. The ESG team is developing communication materials/infographics to encourage employees to be more conscious in using resources. The ESG Team, together with GSD and Branch Operations Division (BBG-BOD) will explore applicable solutions and best practice recommendations to further improve sustainability in own operations.

Water consumption within the organization

Disclosure	2022	2023
Water consumption (in m^3)	23,733.40	25,992.89
(a) Head Office	7,206.00	8,685.00
(b) Manila TAT Building	2,533.00	763.00
(c) Branches	13,994.40	16,544.89
Water intensity (m^3/employee)	12.72	13.15

Water is used in BankCom's premises primarily to ensure cleanliness and upkeep of the facilities and maintain sanitation and hygiene for the health and safety of employees. BankCom is committed to ensure that uninterrupted and clean water supply is available to all its employees in its Head Office and Branches, while at the same time ensure water use is kept to a reasonable volume so as not to create water stress in the areas where it operates.

Stakeholders affected

- Employees
- Management
- Shareholders
- Customers
- Communities

What are the risks identified?	**Management Approach**
Since banking is not a water-intensive business, the main risk for BankCom is the possibility of water unavailability or shortages particularly in water-stressed regions where it operates, which will impact the health and safety of its employees. This risk may be exacerbated by effects of climate change, such as drought and damage to water sources from extreme weather events and flooding, as well as increased demand from growing populations and economic facilities. This risk may result in additional financial costs as well as the inability to deliver access to clean and safe water, a basic human right.	Water conservation has been on the management's agenda since 2005. An operations memorandum is in place which prescribes measures alongside other initiatives. These measures include immediately reporting to the building maintenance or GSD any faucet and other water fixtures found to be defective. Reminders on water conservation are also placed in washrooms and pantries with water facilities. The Bank's GSD and BBG-BOD will continue to make concerted efforts to identify and launch projects to manage water consumption of its branches and head office. This will include selecting building

	contractors with a good track record in terms of the durability and appropriateness of materials used for installing the water connection, plumbing, and water fixtures in branches and head office facilities. To better control the Bank's water use, the ESG TWG will investigate appropriate solutions and best practice recommendations in collaboration with GSD and BBG-BOD.

What are the opportunities identified?	**Management Approach**
The continuing risk of a water shortage gives justification to the procurement and installation of water-saving fixtures, such as self-closing faucets and urinals that automatically flush after use as well as evaluate the use of water recycling technologies.	Water conservation continues to be a part of the agenda for designing and constructing new branches and other physical facilities with water connection.

Materials used by the organization

Disclosure	2022	2023
Paper consumption* in kg	36,060	22,950
Paper intensity (kg/employee)	19.33	11.61

*bond/computer papers/folders

BankCom uses paper for communication with customers, issuance of statement of accounts, as well internal documents such as account statements, loan agreements, and other legal documents required to be retained by the Bank. Automation and digitalization are at the core of the innovations that the Bank is currently implementing, and these activities are expected to result in lesser need for paper.

Stakeholders affected

- Employees
- Management
- Shareholders
- Customers
- Communities

What are the risks identified?	**Management Approach**
Paper production is associated with environmental impacts such as water stress, greenhouse emissions, and forest degradation. As BankCom commits to reducing environmental impact, measures are undertaken to limit paper consumption and paper waste.	BankCom has started to roll out programs to reduce the need for paper. One example is the decision to replace paper brochures in the branches with QR-based, PDF versions which can be downloaded from the Bank's website. The Bank is also utilizing electronic statement in lieu of paper statements for trust management clients and credit card customers. Everyone is encouraged to use collaborative workspaces for business purposes, including general document review and approval, to

	minimize the amount of paper used internally.

What are the opportunities identified?	Management Approach
While paper use is inherent for banks, continued improvements in digital banking offers opportunities to reduce the need for paper through digitization and automation.	BankCom continues to enhance its existing electronic banking delivery channels such the BankCom [Personal] mobile app and BankCom [Corporate] to reduce client paper requirements.

Environmental Impact Management

Greenhouse Gas Emissions

Disclosure	2023
Direct (Scope 1) GHG Emissions (in MT CO2e)	441.95
Energy indirect (Scope 2) GHG Emissions (in MT CO2e)	3,887.73
Emissions intensity (MTCO2/employee)	2.19

In 2023, BankCom has started to calculate its greenhouse gas emissions from within its own operations. The Bank's emissions arise from the use of diesel and gasoline for bank-issued vehicles and the purchase of grid electricity. Increased levels of GHG emissions emitted from the burning of fossil fuels contributes to the worsening of changes in the climate, translating to substantial negative impacts, losses and damages.

Stakeholders affected

- Employees
- Management
- Shareholders
- Customers
- Communities
- Regulators

What are the risks identified?	Management Approach
The risks from GHG emissions are linked to climate change risks (See Section on Climate-related Risks and Opportunities – Strategy). The risk to the Bank's own operations include policy and regulatory changes (i.e., pricing of emissions and additional climate reduction/transparency requirements), reputation (i.e., climate controversies), and physical risks (i.e., damage to assets, disruption of operations due to extreme weather events).	As part of BankCom's climate risk management, the ESG TWG together with GSD and BBG-BOD monitors the emissions coming from the Bank's own operations. It is also in charge of preparing a strategy for integrating sustainability in the Bank's own operations, including the mechanism to reduce energy use and transition to low-carbon technologies. BankCom also conducts physical hazard assessments in its branch site selection and monitoring. The Bank also regularly assesses and monitors climate risks through its Risk and Control Self-Assessment (RCSA) and Business Impact Analysis (BIA) Process.

What are the opportunities identified?	Management Approach
As discussed under Energy Consumption, opportunities arising from implementing low-carbon technologies include lower energy costs and improved operational efficiency, ability to differentiate itself from competition, and attract and retain environmentally conscious customers and employees. As a financial intermediary, there is an opportunity to tap into a market of consumers/corporate clients who wish to transition to energy-efficient and renewable energy technologies.	The topic of climate change and its risks to the organization is part of the ESG and Sustainability Module of the NEO. Furthermore, the ESG team issues advisories on ways to reduce individual carbon footprint. With regard to the environmental impact of the Bank's IT equipment, 99% of the Bank's laptop and desktops are covered under the IT equipment provider's carbon offset program. BankCom's cost management policy prescribes specific measures to manage the usage of the lighting system, air-conditioning system, electric fans and office appliances, and water conservation. BankCom will explore developing sustainable products and services as committed in the Bank's ESRM Framework.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee Data

Disclosure	2022	2023
Total number of employees	**1,865**	**1,976**
• Female	1,160 (62.20%)	1,210 (61.23)
• Male	705 (37.80%)	766 (38.76)
Attrition rate (in %)	**17.28%**	**15.73%**
Ratio of lowest paid employee against minimum wage		
• Probationary employee	111%	106%
• Regular employee	120%	102%

Employee Benefits

	2022		2023	
List of Benefits	Number of male employees who availed for the year	Number of female employees who availed for the year	Number of male employees who availed for the year	Number of female employees who availed for the year
SSS (loans)	139	265	116	236
PhilHealth (certifications)	11	49	33	75
Pag-Ibig (loans)	59	128	56	127
Solo Parent Leave	2	17	2	22
Maternity Leave	-	61	-	51
Paternity Leave	35	-	32	-
Vacation leaves	642	1073	439	647
Sick leaves	394	681	301	455
Medical Benefits (aside from Philhealth), SSS Sickness & Maternity	34	87	41	124
Housing assistance (aside from PAGIBIG)	285	492	323	508
Retirement fund (aside from SSS)	49	112	50	110
Further education support	4	2	2	2
Company stock options	Not offered		Not offered	
Telecommuting	Not offered		Not offered	
Flexible-working Hours	Not offered		Not offered	
Others				
Life Insurance	1	0	1	1

Accident Insurance	0	0	2	0
Emergency Leaves	327	580	335	532
Rice Subsidy	322	563	317	574
Clothing Allowance (in Kind / in Cash)	667	1108	725	1132
Burial Assistance (Employees / Dependents)	12	31	19	49

To ensure that BankCom operates at an optimum level and delivers outstanding performance, there is a need for talented and highly skilled individuals with a strong work ethic and professionalism as well as skills in client relations, strategy, communication and critical thinking. Beyond attracting the right individuals, it is also critical to sustain the Bank's capacity to operate and perform at a high level through cultivating and retaining committed and loyal employees.

It is in this context that a key focus of the sustainability program of BankCom is human capital development. BankCom is committed to investing in its human resources and constantly assessing and improving every step of the employee life cycle process (talent recruitment, onboarding, engagement, development and training, and retention). A key factor particularly in recruitment, engagement, and retention is the quality and competitiveness of the Bank's benefits program. BankCom offers its employees a comprehensive remuneration and benefits package that is regularly reviewed to ensure competitiveness with the industry.

Stakeholders affected

- Employees
- Management
- Shareholders
- Customers

What are the risks identified?	**Management Approach**
The risk of high attrition due to dissatisfaction with the Bank can have several impacts to the company: • recruiting, onboarding and training new individuals requires both financial and human resources; • for specialized positions where a certain level of knowledge and experience is needed, new employees may not be as proficient and thus this may lead to lower productivity from affected business units in the short run.; • the burden of work is delegated to remaining individuals which may result in burnout and dissatisfaction due to the increased workload, which in turn may lead to further attrition. Attractive packages from other institutions may likewise affect the Bank's ability to recruit and/or retain employees.	The Human Resource Management and Development Division (HRMDD) leads key initiatives in recruitment, organization development, and compensation and benefits. For its recruitment strategy, HRMDD utilized several approaches to attract talented individuals such as an employee referral program, online job fairs, and job search platforms and social media to increase reach of job postings. The Bank allows applicants to come from within the organization as a way to develop one's abilities in other areas within the Bank. Internal candidates, if qualified, are prioritized over external candidates. Meanwhile, for branch postings, local hiring is preferred. On the area of compensation and benefits, BankCom provides its employees competitive

	remuneration—with base pay, healthcare benefits and bonuses comprising its overall compensation package. Staff (rank-and-file) compensation is aligned to the collective bargaining agreement. BankCom's compensation package goes beyond salary and statutory benefits. BankCom's benefits package, depending on position and rank, includes various affordable financing programs; health management organization (HMO) program for employees and qualified dependents; life insurance, medical and optical allowance; study leave and scholarship reimbursement, as well as food allowances/free lunch. The Bank also maintains a retirement program which is managed professionally.

What are the opportunities identified?	**Management Approach**
As competition for talent in the finance industry is growing, it gives the Bank an opportunity to look into other forms of remuneration such as in the areas of work-life balance, employee training and development, welfare, and supporting advocacies. Examples include support for dependent care, health management, and community involvement.	The Bank also looks into upskilling/capacity building and employee engagement as ways to retain employees. HRMDD has launched programs aimed at employee development and retention including free virtual, onsite, and offsite training for all levels of employees; management development programs for senior executives at the country's prestigious business-oriented academies; tuition reimbursements for employees taking up masters education; regular job evaluation to recognize expanded roles; employee engagement activities such as appreciation month; and various medical and mental health awareness programs. This will be further discussed in the succeeding section. Finally, HRMDD continues to maintain good relations with the BankCom Employee Union (BCEU) through regular engagement meetings with HR Leaders. The BCEU represents Rank and File employees (781 personnel or 40% of all employees). In 2023, HRMDD conducted 6 monthly meetings with the BCEU and 1 Labor Management Council Meeting. As of the end of the year, no outstanding employee grievance was reported. HRMDD organizes employee appreciation activities. The Bank's senior leaders and HRMDD provided snacks and took the opportunity to have direct informal conversations with the employees.

	Other events involved a free movie screening, as well as various awards ceremonies for the frontline employees of the Bank. BankCom also cultivates a strong company culture that aligns to the core value of Malasakit of the SMC Group. In cooperation with San Miguel Foundation (SMF), CCCPD led BankCom employees in life-enriching corporate social responsibility (CSR) activities conducted at various locations during the year. These activities included reforestation/seed potting and coastal cleanup drives.

Employee Training and Development

Disclosure	2023
Total training hours[6]	60,614 hours
Average Training Hours per Employee	31 hours
Percentage of Employees Receiving Performance Reviews and Career Development Reviews	100% of eligible employees

Disclosure		2022	2023
Percentage (%) of Employees Offered E-Learning Training on:			
a.	Information Security Awareness	100%	100%
b.	Financial Consumer Protection	100%	100%
c.	Business Continuity Management	100%	100%
d.	Anti-Money Laundering	100%	100%

BankCom advocates training and employee development to meet the objectives of providing employees with skills and competencies to be future-ready, and at the same time enabling the Bank as an organization to deliver on its mission and purpose for its customers and other stakeholders. Providing training and development opportunities is also part of employee engagement as it communicates the Bank's intention to support the career advancement and well-being of employees.

BankCom employs a strategic training management approach whereby high-potential and high-performing employees are determined through an appraisal system that measures performance in the areas of achieving financial goals, strengthening internal business processes, and enhancing visibility and relevance to customers. Based on these areas, an employee's strengths and potentials are identified and matched against a career path to determine gaps that can be addressed through external training, on-the-job mentoring, and other forms of management interventions. These are articulated in a Development Action Plan (DAP).

On another note, The BSP requires Philippine banks to conduct annual mandatory trainings on the areas

[6] Training refers to all types of trainings: all types of vocation training and instruction, trainings on specific topic, including paid trainings or education pursued externally and paid for in whole or in part by the organization

of anti-money laundering, information security risk, financial consumer protection, and data privacy to ensure employee's continuous awareness of rules, standards and processes pertaining to these key risk topics in the banking industry.

Stakeholders affected

- Employees
- Management
- Shareholders
- Customers

What are the risks identified?	**Management Approach**
Without continuous efforts to engage employees and upgrade their competencies through training: • Skills may stagnate, and motivation may plateau, leading to a decline in productivity. • Employees may have low morale due to lack of employee development. • Employees may feel unhappy and dissatisfied, which can result in reduced productivity and increased staff turnover. Lack of employee development or training can also result in an unsafe working environment (i.e. Occupation Health and Safety). Failure to conduct training sessions mandated by the BSP could result in legal and compliance issues. Further, the lack of knowledge of employees on topics of anti-money laundering, information security risk, financial consumer protection, and data privacy that could potentially expose BankCom to risks due to human errors or failure to comply with regulations.	BankCom, through HRMMD's leadership, conducted several trainings directed to advancing employees' technical and functional competencies: BRANCH BANKING GROUP (BBG) STAFF: Fundamentals of Branch Operations BBG OFFICERS: Branch Officership Training Program JUNIOR OFFICERS AND RANK & FILE Signature Verification and Forgery Detection Fraud & Forgery Detection and Prevention Effective Business Writing Workshop Effective Presentation Skills Presentation Skills Workshop EXECUTIVES AND JUNIOR OFFICERS Strategic Planning Civility in the Workplace Corporate Banking and Development Bootcamp Coaching for Managers Workshop Managing the Multigenerational Workforce Workshop Keys to Leadership INTERNAL AUDIT DIVISION – EXECUTIVES, JUNIOR OFFICERS AND RANK & FILE Root Cause Analysis and other Internal Audit Related Matters Workshop TRANSACTION SERVICES GROUP – RANK & FILE The Keys to Performance In addition, Members of the Board of Directors, Senior Executives, Junior Officers and Rank and File Employees had attended over 150 external

	trainings sponsored by the Bank. Examples of external trainings are those which touch on areas of operations, compliance and all other relevant areas of knowledge in Banking which are offered through the Bank Administration Institute of the Philippines (BAIPHIL) such as covering banking industry topics: AML/CTF, auditing, accounting, risk management, cybersecurity, data privacy and sustainability among others. For the Senior Executive Team and selected officers, the Bank through HRMDD has also arranged leadership programs as well as executive training such as the Executive Management and Development Program of the Asian Institute of Management through the auspices of San Miguel Corporation's Corporate Human Resources (SMC Corporate HR). For mandatory trainings required by BSP, such as on anti-money laundering, information security risk, financial consumer protection, and data privacy, HRMDD has rolled out the E-Learning Module, a browser-based training platform with post-training exam. The Bank through HRMDD also invests in online training platforms such as LinkedIn Learning and Udemy to provide employees identified through the DAP a wealth of banking and non-banking related training courses prepared by professionals from around the world. HRMDD also partnered with Branch Banking Group to conduct specialized programs through online facilities such as Zoom and Microsoft Teams. These provided essential training on Bank operating policies, regulations and customer requirements. For its part, HRMDD together with the SMC Corporate Affairs Office (CAO) have brought in participants to workshops that deal with development of corporate programs catering to upliftment of the poor, inculcating greater awareness of gender-related issues and diversity within the workforce, and sustainability simulation sessions, to name a few. HRMDD also partnered with CCCPD to conduct ESG Training for ESG TWG members. Together with SMC Corporate Sustainability Office (CSO) and

	CAO, HRMDD and CCCPD facilitated the attendance of BankCom's BOD and SET Members in the Sustainability Management Workshop of the San Miguel Group. For all types of trainings (internal, external, mandatory), the HRMDD requests feedback/evaluation form from attendees on the quality of training content, resource persons, and additional training needs thereby ensuring that the trainings are improved and/or training gaps are addressed.

What are the opportunities identified?	**Management Approach**
Realizing the benefits of using online platforms in training, such as cost effectiveness and efficiency of conducting training online for large audiences or for participants from different geographical locations, such as branches, the Bank foresees training using online platforms to continue to be relevant both for employees as well as for the Bank as a whole. Opportunities to conduct hybrid training and to develop better presentation materials using software and tools coming out in the market will enable the Bank to more effectively roll out professional development campaigns and strategies. With the implementation of an ESRMS, BankCom saw an opportunity to introduce awareness raising activities on sustainability and providing training solutions on incorporating ESG and sustainability considerations in its operations and core business.	BankCom continues to update its E-Learning Module and explore tools available in Microsoft Office 365 to disseminate relevant information. HRMDD manages subscriptions of identified employees in LinkedIn Learning and Udemy, and engages these learners to discover what these facilities have to offer. In partnership with the ESG project team leads, HRMDD rolled out the Bank's first hybrid training on ESG using these tools. The ESG Team, together with HRMDD, has incorporated a Sustainability and ESG Module in the NEO. The ESG Team likewise participates in external trainings and workshops and in doing so, has gathered information on ESG frameworks and best practices for banks that can be integrated into BankCom either through capacity building/training or technical solutions. The Team is expected to roll out a specialized training plan on ESG and sustainability for existing employees.

Diversity and Equal Opportunity

Disclosure	2022	2023
Workers in the workforce (%)		
• Male	37.80	38.77
• Female	62.20	61.23
Rank and File (%)		
• Male	36.64	36.21
• Female	63.36	63.79
Junior Officers (%)		
• Male	36.87	38.82
• Female	63.13	61.18
Senior Officers (%)		

• Male	50.00	57.47
• Female	50.00	42.53
Senior Executive Team (%)		
• Male	73.68	68.42
• Female	26.32	31.58
Board of Directors (%)		
• Male	73.33	73.33
• Female	26.67	26.67

Promoting diversity, equality and inclusivity (DEI) at work has been recognized as an important aspect of the modern workplace due to its positive benefits for both the company and its employees. Promoting fair treatment and equal opportunities for employees from all walks of life allows the company to benefit from ideas and innovations coming from diverse perspectives and uncover skilled and talented employees that may be otherwise overlooked. Further, implementing DEI principles in all stages of the employee cycle communicates to employees that they are respected, treated fairly, and protected against discrimination and harassment by the company.

Discrimination is defined as the prejudicial treatment based on a person's protected attributes such as race, religion, age, gender and sexual orientation, disability, family status, among others. These manifests in denial of opportunities, exclusion, isolation, or harassment.

BankCom recognizes the immense value of DEI in driving success and fostering a positive work environment. A strong DEI culture promotes fair treatment and empowers employees, thereby fostering a sense of belongingness which has an observed impact on performance and commitment from employees, generating significant benefits for the organization.

Stakeholders Affected

- Employees
- Management
- Shareholders
- Customers

What are the risks identified?	**Management Approach**
A risk related to non-consideration of DEI in the Bank's employee strategy is the potential reputation impact should there be cases filed regarding discrimination and/or discriminatory practices. Feeling unsafe or unheard in their work environment due to discrimination could result in turnover of skilled and competent employees. There is a risk of missing out on highly skilled talents during recruitment and promotions if personal bias or discrimination is apparent in applicant selection.	The Bank provides equal employment opportunities to employees and applicants. Recruitment, compensation, training and development are based on the personal skills, knowledge, and capabilities of each candidate. Selection in key positions, promotions, and transfers is open to all qualified candidates and employees and is based solely on merit and aptitude. BankCom does not condone discrimination. BankCom abides by related Philippine laws such as the RA 6725 Prohibition of Discrimination Against Women, RA 7877 Anti-Sexual Harassment Act, RA

	8972 Solo Parents' Welfare Act, RA 10911 Anti-age Discrimination in Employment Act, RA 7277 Magna Carta of Disabled Persons. BankCom has a Sexual Harassment Policy since 2002. This states the types of harassment covered, the investigation process, as well as education and training provisions. BankCom's Whistleblowing Policy applies to criminal offences and acts that pose serious threat to the wellbeing and safety of any persons, covering incidents of discrimination and sexual harassment.

What are the opportunities identified?	**Management Approach**
Encouraging diversity, equity, and inclusion can benefit the company and its workers in a number of ways, including enhancing the organization's reputation as an inclusive workplace, fostering innovative problem-solving from a range of backgrounds and experiences, and increasing employee retention.	BankCom will look into opportunities to increase awareness of DEI among its management and employees. This includes diversity training programs and workshops on identifying and managing unconscious bias. BankCom offers equal opportunities to deserving employees, regardless of locality or affiliation, to join leadership and career development programs BankCom will stay informed about relevant labor laws and explore opportunities to support the government and local community in promoting workplace diversity and equal opportunities.

Occupational Health and Safety

Disclosure	2023
Employees covered by an Occupational Health and Safety (OSH) System	100%

As a recognized human right, initiatives that safeguard employees' health, safety, and well-being are prioritized at BankCom. Beyond national regulations requiring companies to institute an Occupational Health and Safety System, BankCom actively works beyond the prevention of harm but also in promoting and securing physical and mental health for employees. BankCom's commitment to health and safety is integrated in its policies and programs on internal communications, risk management and employee engagement.

BankCom is compliant with Republic Act (RA) 11058 (title) and Department of Labor and Employment (DOLE) Department Order 198-18 and acknowledges the company's obligation and responsibility to implement an OSH to ensure the protection of workers and employees against injuries, illnesses, and death through safe and healthy working conditions and environment.

Stakeholders Affected

- Employees
- Management
- Shareholders
- Customers
- Regulators

What are the risks identified?	Management Approach
The mismanagement or disregard for health and safety in the workplace has a negative risk for BankCom and its employees. This includes: • Loss of productive man-hours • Legal implications due to non-compliance with OSH regulations • Damage in Bank's reputation due to accidents or controversies	BankCom implements an annual Occupational Health and Safety Program covering its Head Office and all branches. It conducts a hazard and risk assessment to identify health and safety hazards and risks and corresponding control measures. All employees are required to undergo annual medical examination, including drug testing to support the early detection and management of occupational and work-related diseases. The Bank provides first-aid, medicines, and healthcare facilities through an in-house clinic and a health management organization insurance covering emergency medical service. The Bank has trained safety officers and first aiders deployed in its Head Office and branches. The Bank has a data management system regularly monitoring work accidents and illness exposure. The Bank has policies in place to cover promotion, prevention and control: • Drug-free Workplace Policy and Program in compliance to RA 9165 • Workplace Policy and Program Human Immunodeficiency Syndrome (HIV/AIDS) in compliance to (RA 8504) RA 11166 • Workplace Policy and Program on Tuberculosis in compliance to EO 187-03 • Workplace Policy and Program on Hepatitis B in compliance to DOLE Advisory No. 05 Series of 2010 • Covid-19 Prevention & Control Policy The Bank, through its designated Health Maintenance Organization (HMO), provides regular employees a medical insurance and healthcare plan covering emergency, outpatient and in-patient care. The healthcare plan also covers direct dependents.

	All new employees are required to undergo an Occupational Health and Safety training, as part of the NEO. Safety drills for fire and earthquakes and other emergency incidents are also conducted. Seven (7) drills were conducted in 2023. HRMDD regularly issues Safety and Health Bulletins to heighten employee awareness on common health concerns and provides advice on how to live a healthy lifestyle.

What are the opportunities identified?	**Management Approach**
Prioritizing health, safety, and wellbeing can enhance productivity, reduce absenteeism and building a positive reputation. Health and safety are more relevant for employees now more than ever due to the rise of diseases such as COVID-19 as well as the increase in awareness on the importance of mental health.	BankCom continues to adopt the standard health safety protocols within its premises to ensure the protection of its employees and clients against COVID-19 infection. Until January 2024, surveillance antigen testing for employees was provided by BankCom for free through SMC's facilities. BankCom also monitors any movement in cases of infection among its own employees and those of its third party service providers. HRMDD regularly sends out infographics related to physical, mental and emotional health. Upon request of employees, HRMDD also arranges counseling services through its wellness partners, to ensure their well-being are prioritized.

Data Security / Customer Privacy

Disclosure	2023
No. of data breaches, including leaks, thefts and losses of data	0

Data security, along with customer privacy, are among the top material risks for financial institutions. It refers to the risks that could lead to the unauthorized collection, use, disclosure, or access of personal data. It includes the risks that the confidentiality, integrity, and availability of personal data will not be maintained, or the risk that the processing of data will violate the rights of data subjects or the privacy principles such as transparency, legitimacy, and proportionality. Financial institutions are frequently targeted by cybercriminals because they hold sensitive and private client data. Financial losses may arise from data breaches and consumer data losses as a result of reputational harm and legal and regulatory repercussions.

BankCom is constantly implementing programs to ensure the security of its information technology and data management systems, covering prevention, monitoring, and incident response. The Bank ensures that the principles of confidentiality, integrity and availability are considered in the selection, use, and maintenance of computer hardware, software, devices, systems, applications and networks.

Stakeholders Affected

- Employees
- Management
- Shareholders
- Customers
- Communities
- Regulators

What are the risks identified?	Management Approach
Information technology is one of the key risks monitored under the Bank's Risk Appetite Statement. Mismanagement of data and IT systems, such as lack of monitoring, controls, upgrades, or human errors particularly through non-compliance with existing laws, regulations and/or other voluntary standards regarding the protection of customer privacy can result in long-term reputational damage leading to loss of customers and expose banks to regulatory scrutiny in addition to heavy penalties.	BankCom is committed to protecting clients' personal data and fully complies with the requirements of RA 10173 or the Data Privacy Act of 2012. The Bank's Privacy Policy provides consumers guidance on the Bank's use of personal data, including approach for collection, sharing, and retaining data. BankCom's Data Privacy Officer under the Compliance Division is in charge of monitoring the Bank's compliance with regulatory rules and regulations of the National Privacy Commission (NPC) and BSP, among others. BankCom's DPO and Data Privacy Statement are registered with the NPC. BankCom implements an IT security program composed of policies and processes to protect its information assets and IT resources. The program includes physical and technical safeguards covering topics such as, but not limited to, physical security, software and hardware controls, backup, storage, disposal and disaster security, internet and network security. This also covers personnel responsibilities such as IT asset management, information security training and incident management. The program is complemented by an IT risk management system. The strategies to implement BankCom's IT security policies and procedures include conducting risk assessments, vulnerability assessments, monitoring, and logging IT activities, and developing and implementing disaster recovery plans. Digital Services Group (DSG) leads in the enhancement of the Bank's IT systems and processes to ensure compliance with data security regulations, expand the Bank's financial technology solutions, and ensure efficient service to our customers. At the Board level, BankCom's Information Technology Steering Committee (ITSC), is tasked

	to oversee the Bank's IT functions. It cohesively monitors IT performance and formulates appropriate measures to ensure that the Bank's ITstrategy and significant IT investments support its business needs, strategies, and objectives. Security training sessions are conducted for employees annually and are part of the Bank's NEO. Continuous Security consciousness is continuously instilled in employees through internal advisories and special audits such as phishing tests.

What are the opportunities identified?	**Management Approach**
To maintain resilience of information technology and data security in the long-run, the continuous updating and evolution of IT systems are necessary.	DSG is currently implementing a five-year roadmap for the modernization of the Bank's IT systems, part of which are improvements to ensure the Bank's continuous resilience against new threats to data security. The Bank keeps abreast of developments in the market, consumer behavior, industry regulations, and industry trends. Digital strategies for innovation and transformation will be shaped by matching this data with the Bank's business objectives and strategic direction.

Consumer Financial Protection

Disclosure	2023
Percentage of complaints lodged in the Consumer Assistance Management System resolved within turnaround time[7]	95%

BankCom is committed to protecting consumers' right to access accurate, and complete information regarding the products and services they avail from the Bank. Consumer protection principles are considered in product development and design, labelling and advertising, as well as in customer interactions. Aggressive selling practices, including the use of misleading or deceptive statements that hinder customers from making informed decisions are not condoned by the Bank.

BankCom ensures it complies with BSP regulations on financial consumer protection: BSP Circular Nos. 857 and 1048 or BSP Regulations on Financial Consumer Protection (FCP), and the recent release of BSP Circular No. 1160 (Regulations on Financial Consumer Protection to implement Republic Act No. 11765, also known as the "Financial Products and Services Consumer Protection Act"). BankCom's business activities are guided by FCP standards on protecting the rights of consumers to equitable and fair treatment, disclosure and transparency of financial products and services, protection of consumer assets against fraud and misuse, data privacy and protection and timely handling and redress of complaints.

[7] The Consumer Assistance Mechanism System provides support and resolution for consumer issues and complaints related to products or services. It typically involves a process for consumers to report grievances, seek assistance, and receive resolutions from relevant business units. The Bank is required to notify the clients of the investigation result within 3-5 banking days.

Stakeholders Affected

- Employees
- Management
- Shareholders
- Customers
- Communities
- Regulators

What are the risks identified?	Management Approach
Non-compliance with marketing and labelling regulations, including consumer protection policies will negatively impact the Bank. Complaints related to mis-selling and use of deceptive practices in sales will not just result in penalties but also affect the public's perception of the Bank's integrity, resulting in loss of existing and potential customers. As the use of digital technologies in personal banking has become more mainstream, this exposed consumers to bad actors who deceive customers using the name of the Bank through fraud and scams. BankCom understands its responsibility to protect consumers from such incidents.	BankCom's implements a Manual operationalizing the FCP standards in all relevant areas in banking such as corporate communications and promotional materials, employee training, information security, product development, selling, client suitability assessment, assistance management, risk management and compliance. The Bank ensures that all print and digital communication materials, particularly those related to product marketing, advertising and promotions complies with the Bank's product marketing policies, as well as those required by the BSP, BancNet, DTI, Philippine Deposit Insurance Corporation (PDIC), and SEC among others. BankCom implements principles of responsible sales and marketing. It commits to disclosing information that is balanced, easily understandable, comprehensive, and accurate: • When offering products to customers, both benefits and risks are disclosed; • Marketing and communication with customers consider language literacy and limitations; • All information on costs (interest, fees charges and penalties) and conditions (warning, waiver of rights and limits of liability, consequences of not meeting obligations, responsibility of the Bank, cancellation, profitability). BankCom complies with fair treatment and non-discrimination in providing products and services while ensuring suitability by gathering sufficient information to offer appropriate products or services aligned with the needs and risk profile of consumers. The FCP Manual is consistently reviewed to ensure alignment with new policies and standards on FCP. BankCom's FCP framework also includes a Consumer Protection Risk Management System, composed of Board and Senior Management

	Oversight, Compliance and Internal Audit Program, and Trainings. BankCom's Consumer Assistance Management System (CAMS) includes a customer complaint handling and redress mechanism. Consumer assistance channels available for consumers include a hotline, email, and designated officers in Head Office/branches. Under the CAMS, complaints are analyzed whether they are an isolated issue or a more widespread issue for consumers. Such complaints are escalated to Compliance Division and Risk Management and corrective action (e.g., change in policy) is undertaken as necessary. BankCom also works on ensuring customer privacy and security by sending out advisories and tips regarding fraud prevention and cybersecurity via email and through social media and website. As an integral part of the BankCom's customer onboarding process, the Bank ensures that clients have undertaken a pre-requisite consumer education course or program via Electronic Services Consumer Awareness Program (ESCAP) on the safe and secure use of electronic payment and financial services (EPFS), including the associated risks.

What are the opportunities identified?	**Management Approach**
BankCom recognizes that financial consumer protection goes beyond transactions and client management but also helps clients and even the general public take control of their finances, such as making informed decisions on spending and investing with the goal of securing their financial future. BankCom acknowledges the importance of sustaining financial education and awareness to financial consumers in order to help them protect their financial health, especially during these economically challenging times.	BankCom's Financial Literacy Program is a comprehensive initiative designed to empower individuals with essential financial knowledge and skills. Through interactive workshops, educational resources, and tailored courses, the program aims to enhance understanding in budgeting, investing, and responsible financial management. It equips participants with practical tools to make informed decisions, fostering a more financially knowledgeable client base. • Number of Financial Literacy Sessions: 25 • Number of Financial Literacy Locations 20 • Number of Financial Literacy Student Participants: 496 • Total Number of Financial Literacy Participants: 1,945

Supply Chain Accreditation Policy

Topic	Reference in supplier accreditation policy
Environmental Performance	Suppliers are required to submit information on policy and management programs focusing on the environmental impact of their operations/products
Forced Labor	Suppliers are required to provide information on their labor policies
Child labor	Suppliers are required to provide information on their labor policies
Human rights	Suppliers are required to provide information on how respect for human rights is integrated in their policies
Bribery and corruption	Suppliers are required to acknowledge the Bank's no-gift policy

Impacts

BankCom's commitment to sustainability in its own operations is two-pronged: (1) ensuring resource efficiency and managing direct environment and social impacts and (2) implementing responsible sourcing and supply chain management practices. BankCom recognizes that organizations may have indirect environmental impacts through its business relationships, particularly through its supply chain. Beyond ensuring the quality or technical capability of products and services offered, it is now critical to ensure that vendors and third-party service providers are aware and are transparent about their environmental and social impacts, and to encourage them to start taking steps to manage these impacts by integrating sustainability into their own operations.

Sustainable and responsible sourcing and supply chain management starts with understanding the extent of environmental and social impact of suppliers and encouraging them to rethink unsustainable practices through raising awareness on sustainability. These steps are integrated in the supplier accreditation process of BankCom.

Stakeholders Affected

- Suppliers
- Employees
- Management
- Shareholders
- Customers
- Communities

What are the risks identified?	Management Approach
Disruptions in the supply chain may limit BankCom's ability to provide its services. These disruptions, which include labor disputes, environmental compliance, and production stoppages, can be caused by environmental and social problems that the supplying firm does not handle or manage, such as health and safety, labor disputes, and reputational concerns. The consequences of climate change on suppliers, including physical and transition hazards, are another significant risk to the supply chain that	BankCom has updated the supplier vendor accreditation process to include requirements for ESG disclosures: • Suppliers are required to submit a supplier sustainability questionnaire (SSQ). The SSQ is a tool that helps us understand the environmental and social practices of our suppliers and how they manage sustainability-related risks in their business activities.

could have a knock-on effect on the business.	• Suppliers are also required to acknowledge the Bank's no-gift policy which prohibits all employees and their immediate families from soliciting gifts, favors, and services starting any current or potential third-party provider. The Bank's SSQ and No-Gift Policy are communicated to <u>all</u> suppliers undergoing accreditation by the Procurement Management Department. Suppliers are required to provide documents such as a Business Continuity Self-Assessment and a Risk Profile Self-Assessment which requires information on risk topics such as human capital, information security and physical hazards.

What are the opportunities identified?	**Management Approach**
BankCom has a unique opportunity to extend its commitment to sustainability by raising awareness to suppliers and encourage them to rethink the ways they do business, particularly small and medium enterprises. It will allow BankCom to extend beyond its walls its commitment to sustainability and position itself as a leader in driving positive change within the industry.	BankCom conducts an orientation for suppliers on ESG and sustainability, the Bank and SMC Group's commitments, and provides guidance on how to accomplish the SSQ. Further supplier engagement and communication initiatives will be planned such as additional awareness training and/or regular sustainability-related advisories.

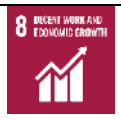
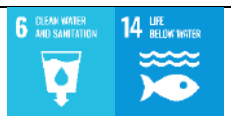
UN SUSTAINABLE DEVELOPMENT GOALS

PRODUCT OR SERVICE CONTRIBUTION TO UN SDGS

Key products and services and their contribution to sustainable development.

Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution / Management Approach to Negative Impact
Bank Accounts BankCom provides various types of banking accounts: • Savings Account with Debit Card (Mastercard) • Savings Account with Passbook • Savings Account Plus • Checking Account • Complete Checking Account • Executive Payroll Account • US Dollar Savings Account • Euro Savings Account • Yuan Savings Account • Junior Smart Savers Savings Account • One Passbook Investment Account	 BankCom supports customers in building financial resiliency through savings by offering easily accessible, low maintenance savings and deposit accounts that cater to different populations, such as employees, students, and business owners. This helps the company contribute to **SDG 1**. It also helps achieve **SDG 8** since it gives small enterprises the financial credibility and savings they need to make capital expenditures that will grow their operations and eventually lead to the creation of jobs.	BankCom diligently fulfills its fiduciary obligation to safeguard the money entrusted to it by these depositors. The Bank's risk mission and objective is to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities. BankCom employs its ESRMS to proactively address environmental and social risks. This system ensures that any such risks, which may intersect with financial risks, are effectively managed both in the bank's core business transactions and in the management of its internal operations.
Consumer Loans BankCom also provides home, automobile, and salary loans for individual customers around the country. The Bank maintains partnerships with real estate developers as well as automobile dealers through its account officers to capture the market.	 These products align with **SDG 1** as it contributes to improvement in living standards through homeownership and increased mobility options for individuals. Salary loans foster economic resilience by reducing the reliance on predatory lending options. These accessible and fair financial solutions contribute to social equality and stability which is aligned with the goal of **SDG 8.**	The Bank ensures that potential clients are properly informed of costs and conditions and diligently reviews and evaluates potential borrowers (know-your-customer, credit risk assessments) to ensure affordability and sustainability of the product for them. The Bank employs processes to prevent over-indebtedness and actively works out solutions for clients who are in or at risk of default. These policies are covered by BankCom's FCP Framework

Branches With a network of 140 branches, BankCom provides a consistent and comprehensive financial experience for individual and business clients.	 For clients who transact with merchants or other customers, these branches service their deposits to fund their personal or operating accounts, facilitate withdrawal through over-the-counter (OTC) or onsite ATMs, accept check clearing and encashment, and fulfill various account-related requests. BankCom also services the needs of business customers through its check releasing counters, deposit pickup facilities, and account maintenance for auto-credit and auto-debit arrangements performed by branches. By facilitating other products and services such as deposit and savings account and consumer, BankCom's branch networks support relevant **SDGs 1 and 8.**	BankCom implements training for Branch Staff on Fundamentals on Branch Operations and a Branch Officers Training Program. BankCom also ensures that all branch employees are aware and follow the Bank's FCP Framework ensuring quality delivery of service to branch clients.
Remittance BankCom develops and manages tie-ups with various partners to facilitate remittances from overseas Filipino workers (OFWs) mostly from the Middle East through its **SikapPinoy Asenso** program. An all-in-one service to help OFWs and their families handle their hard-earned money in the most convenient, secure, and smart way possible towards establishing a business of their own. Beyond providinga savings account and accessible remittance channels, SikapPinoy Asenso Program includes assistance to access business franchising opportunities (e.g. U-Franchise and Potato Corner for qualified BankCom OFW account holders.	 This program helps Filipinos living abroad and their families manage their remittances, save money, and make investments. This primarily supports **SDG 1** as it makes it easier for money to be transferred to OFW families in need and promotes saving and investing, which helps the OFW and their families become financially resilient over the long term and end poverty cycles. Remittance channels support the macroeconomic growth and stability of the Philippine economy by facilitating the transfer of capital **(SDG 8).** Remittance schemes help OFWs and their families, especially the unbanked, become more integrated into the financial system **(SDG 10).**	BankCom diligently fulfills its fiduciary obligation to safeguard the money entrusted to it by the depositors. BankCom's risk mission and objective are to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities.

Products: • SikapPinoy OFW Savings Account • SikapPinoy Domestic Remit • SikapPinoy International Remit • E-Government Payments of OFWs		
Digital Channels BankCom's electronic banking channels consist of a mobile app and online banking channel designed for retail or individual customers, i.e., BankCom [Personal], a web-based channel specially made for corporate or institutional accounts, i.e., BankCom [Corporate], ATMs (and soon, Cash Recycling Machines or CRMs), and point-of-sale (POS) terminals.	 The objective of strengthening domestic financial institutions to increase access to banking, insurance, and financial services is supported by BankCom's digital banking channels **(SDG 8)**. These channels guarantee easy, quick, and accessible access to BankCom's services.	BankCom implements an IT security program composed of policies and processes to protect its information assets and IT resources. The program includes physical and technical safeguards covering topics such as, but not limited to, physical security, software and hardware controls, backup, storage, disposal and disaster security, internet and network security. This also covers personnel responsibilities such as IT asset management, information security training and incident management. See **Data Security/Customer Privacy** for more information
Financial Literacy Program BankCom's Financial Literacy Program is a comprehensive initiative designed to empower individuals with essential financial knowledge and skills. Through interactive workshops, educational resources, and tailored courses, the program aims to enhance understanding in budgeting, investing, and responsible financial management.	 In order to reduce poverty and increase financial resilience **(SDG 1)**, BankCom works to empower adults with greater financial literacy, which in turn helps them make better financial decisions. By giving people from all backgrounds access to financial information and skills **(SDG 4),** financial literacy also helps to reduce inequality **(SDG 10).**	BankCom regularly reviews its Financial Literacy Program to ensure that updates in finance and banking (threats/risks, new products/services, standards) are incorporated.
Corporate Social Responsibility (CSR) Program The Bank not only prioritizes its financial performance, but also	 BankCom employees volunteered during the International Coastal Clean-up Day event organized by Team	BankCom ensures that its CSR activities are strategic and aligned with its core values. BankCom has instituted a CSR policy framework that will serve as a guiding document on the implementation

focuses on making meaningful contributions to the development of the nation and welfare of the larger society. The Bank's Corporate Social Responsibility (CSR) efforts are geared toward fulfilling its long-standing commitment to community development, promoting financial literacy, and championing volunteer work • Total volunteers: 95 • Total volunteer hours: 1,045 • Total number of donors of in-kind donations: 42 • Total value of cash donations: 162,900	Malasakit of SMF where team members across all business units, BankCom included, volunteered to clean up coastal area in Navotas.  BankCom team members demonstrated their commitment to the community by organizing a seed potting activity at Mt. Purro in Antipolo. During a two-part event, employees and SET Members participated in potting seeds as a symbolic gesture of their dedication to the community they are a part of. The team collectively potted around 150 seedlings. BankCom also joined Team Malasakit nationwide activation in December in observance of the One Good Deed Day. Team members across business units, BankCom included, were given an opportunity to show kindness in whatever means, may it be through monetary or in-kind donations.  BankCom demonstrated support for the Department of Education's initiative to institutionalize a child safety program for schools. This included a donation to Pinget Elementary School, a public school in Baguio City, for the purchase of materials for the school's "Project ARAYAT" as well as sponsoring a child safety orientation for Diliman Preparatory School in Quezon City. Likewise, BankCom supported the Brigada Eskwela through a donation to San Roque National High School in Antipolo City. This was the third year that BankCom had participated as education stakeholder under its CSR program.	of CSR activities. BankCom's CSR activities focus on expanding its financial literacy activities, supporting community development, and promoting environmental sustainability.
Corporate Loans	**Electricity and Gas** including	BankCom's risk mission and

BankCom extends loans and other credit facilities to corporate institutional, and middle market clients to support their working capital and/or capital expenditure requirements. Corporate lending may be in the form of term loans, credit lines, or project finance. The Bank's financing portfolio includes, among others: • **Electricity and Gas** including renewable energy (hydropower, solar, battery and other energy storage systems) • **Real Estate** (commercial and residential) • **Construction** • **Manufacturing** (e.g. Food and Beverage, Textile, Apparel, Furniture) • **Agriculture and Fishing** • **Water supply, sewerage, waste management and remediation activities**	renewable energy (hydropower, solar, battery and other energy storage systems)  **Real Estate** (commercial and residential)  **Construction**  **Manufacturing** (e.g. Food and Beverage, Textile, Apparel, Furniture)  **Agriculture and Fishing**  **Water supply, sewerage, waste management and remediation activities** 	objective is to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities. BankCom employs its ESRMS to proactively address environmental and social risks. This system ensures that any such risks, which may intersect with financial risks, are effectively managed both in BankCom's core business transactions and in the management of its internal operations. This includes integration of ESG/climate information in credit forms used in credit evaluation to identify, assess, measure and monitor ESG/climate risks at the borrower level. BankCom is also requiring its borrowers, with material environmental impact, to provide a copy of the Environmental Clearance Certificate (ECC).
Loans for small enterprises • Small Business Loan – Term Loan • Small Business Loan – Business Credit Line	 By offering loans to small businesses, BankCom advances the national financial inclusion strategy. It also promotes **SDGs 1 and 8**, which aim to reduce poverty by fostering the expansion of small businesses and the generation of jobs they generate. Because it gives small businesses access to capital, it also advances **SDG 10's** objective.	