

China Bank Savings, Inc.
*(A Subsidiary of China Banking
Corporation)*

Financial Statements
December 31, 2024 and December 31,
2023 and for the years ended
December 31, 2024, 2023 and 2022

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
China Bank Savings, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of China Bank Savings, Inc. (the Bank), a subsidiary of China Banking Corporation, 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 to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

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 auditor's 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 auditor's report.

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



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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



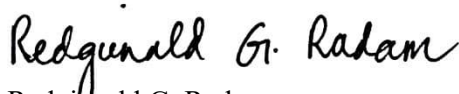
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on the Supplementary Information Required Under Section 174 of Manual of Regulations for Banks and Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of Manual of Regulations for Banks in Note 29 and Revenue Regulations 15-2010 in Note 30 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of China Bank Savings, Inc. 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.

SYCIP GORRES VELAYO & CO.



Redgimnald G. Radam

Partner

CPA Certificate No. 118866

Tax Identification No. 249-000-259

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

BIR Accreditation No. 08-001998-141-2024, April 26, 2024, valid until April 25, 2027

PTR No. 10465364, January 2, 2025, Makati City

March 20, 2025



CHINA BANK SAVINGS, INC.
(A Subsidiary of China Banking Corporation)
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2024	2023
ASSETS		
Cash and Cash Equivalents (Notes 6 and 23)	₱27,129,881,265	₱20,001,169,247
Financial Assets at Fair Value through Profit or Loss (Note 7)	100,434,809	50,900,076
Financial Assets at Fair Value through Other Comprehensive Income (Note 7)	12,028,399,959	12,411,859,455
Investment Securities at Amortized Cost (Note 7)	6,827,321,051	6,258,780,708
Loans and Receivables (Note 8)	133,690,255,054	110,315,101,840
Non-current Assets Held for Sale (Note 9)	567,422,444	213,368,762
Property and Equipment (Note 10)	2,096,167,832	1,965,413,487
Investment Properties (Note 11)	1,875,111,007	1,950,006,358
Branch Licenses (Note 12)	74,480,000	74,480,000
Software Costs (Note 12)	53,397,982	49,440,405
Deferred Tax Asset (Note 22)	1,727,204,197	1,495,380,660
Other Assets (Notes 13 and 23)	2,953,106,574	2,651,992,262
	₱189,123,182,174	₱157,437,893,260
LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities (Notes 15 and 23)		
Demand	₱27,679,939,125	₱25,981,327,810
Savings	22,024,151,961	21,138,613,497
Time	117,088,781,450	90,535,289,647
	166,792,872,536	137,655,230,954
Manager's Checks	203,678,931	689,698,725
Accrued Interest and Other Expenses (Note 16)	1,232,254,903	1,021,694,150
Income Tax Payable	503,404	2,591,417
Other Liabilities (Notes 16 and 24)	3,056,411,729	2,419,595,990
	171,285,721,503	141,788,811,236
Equity		
Capital stock (Note 18)	11,543,579,100	11,543,579,100
Additional paid-in capital (Note 18)	475,049,814	475,049,814
Other equity - stock grants (Note 18)	17,299,450	17,299,450
Other equity reserves (Note 27)	(2,248,520,637)	(2,248,520,637)
Surplus (Note 18)	8,034,115,444	5,863,598,152
Remeasurement gains on retirement benefit (Note 20)	31,188,724	20,858,617
Net unrealized losses on financial assets at fair value through other comprehensive income (Note 7)	(93,526,964)	(70,830,608)
Cumulative translation adjustment	78,275,740	48,048,136
	17,837,460,671	15,649,082,024
	₱189,123,182,174	₱157,437,893,260

See accompanying Notes to Financial Statements.



CHINA BANK SAVINGS, INC.
(A Subsidiary of China Banking Corporation)
STATEMENTS OF INCOME

	Years Ended December 31		
	2024	2023	2022
INTEREST INCOME			
Loans and receivables (Notes 8 and 23)	₱12,532,350,164	₱10,302,663,084	₱7,494,313,474
Trading and investment securities (Note 7)	1,289,302,593	472,994,630	273,068,574
Due from Bangko Sentral ng Pilipinas and other banks (Notes 6 and 23)	484,857,926	807,401,467	266,726,823
Interbank loans receivable and securities purchased under resale agreements (Note 6)	166,663,846	169,178,245	70,835,452
	14,473,174,529	11,752,237,426	8,104,944,323
INTEREST EXPENSE			
Deposit liabilities (Notes 15 and 23)	6,277,871,818	4,590,953,033	1,484,426,834
Lease liabilities (Note 21)	61,370,207	52,212,642	39,109,419
	6,339,242,025	4,643,165,675	1,523,536,253
NET INTEREST INCOME	8,133,932,504	7,109,071,751	6,581,408,070
Service charges, fees and commissions	433,707,136	458,307,082	429,240,918
Gain on asset exchange - net (Notes 9 and 11)	292,609,625	379,935,234	376,181,268
Income from property rentals (Notes 11, 21 and 23)	56,705,284	49,862,036	49,157,087
Trading and securities gains - net (Note 7)	20,356,048	365,441	—
Miscellaneous (Note 19)	261,964,237	213,462,182	114,873,080
TOTAL OPERATING INCOME	9,199,274,834	8,211,003,726	7,550,860,423
Compensation and fringe benefits (Notes 20 and 23)	1,761,207,323	1,519,425,423	1,331,232,664
Provision for impairment and credit losses (Note 14)	773,248,903	1,015,498,571	1,507,585,488
Documentary stamp taxes	730,692,429	537,823,446	306,664,676
Taxes and licenses	713,190,951	636,025,917	417,738,766
Depreciation and amortization (Notes 10, 11 and 12)	548,758,623	489,267,845	429,654,413
Insurance	445,035,212	344,671,610	261,649,400
Security, clerical, messengerial and janitorial	374,653,618	329,390,588	315,748,912
Acquired asset and other litigation expenses	234,001,264	192,032,629	288,336,187
Transportation and travel	205,993,377	162,311,953	135,525,399
Occupancy costs (Note 21)	161,384,751	152,224,055	145,333,551
Utilities	121,061,077	113,630,855	108,849,238
Data processing and information technology (Note 23)	106,186,769	76,215,660	64,450,418
Entertainment, amusement and recreation (Note 22)	85,466,851	90,455,583	88,557,677
Stationery, supplies and postage	49,913,447	33,677,936	30,188,618
Management and other professional fees	8,055,679	7,399,915	5,063,951
Miscellaneous (Notes 19)	449,316,333	376,061,572	391,335,676
TOTAL OPERATING EXPENSES	6,768,166,607	6,076,113,558	5,827,915,034
INCOME BEFORE INCOME TAX	2,431,108,227	2,134,890,168	1,722,945,389
PROVISION FOR INCOME TAX (Note 22)	260,590,935	307,064,762	145,992,126
NET INCOME	₱2,170,517,292	₱1,827,825,406	₱1,576,953,263

See accompanying Notes to Financial Statements.



CHINA BANK SAVINGS, INC.
(A Subsidiary of China Banking Corporation)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2024	2023	2022
NET INCOME	¥2,170,517,292	¥1,827,825,406	¥1,576,953,263
OTHER COMPREHENSIVE INCOME			
<i>Items that recycle to profit or loss in subsequent periods:</i>			
Changes in fair value of debt financial assets at fair value through other comprehensive income, net of tax (Note 7)	(35,691,437)	81,149,047	(133,339,660)
Cumulative translation adjustment	30,227,604	(31,100,015)	40,535,812
<i>Items that do not recycle to profit or loss in subsequent periods:</i>			
Changes in fair value of equity financial assets at fair value through other comprehensive income, net of tax (Note 7)	12,995,081	8,459,460	4,683,628
Remeasurement gains (losses) on retirement asset (liability), net of tax (Note 20)	10,330,107	(41,705,576)	(3,549,431)
	17,861,355	16,802,916	(91,669,651)
TOTAL COMPREHENSIVE INCOME	¥2,188,378,647	¥1,844,628,322	¥1,485,283,612

See accompanying Notes to Financial Statements.



CHINA BANK SAVINGS, INC.

(A Subsidiary of China Banking Corporation)

STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Other Equity - Stock Grants (Note 18)	Other Equity Reserves (Note 27)	Surplus (Note 18)	Remeasurement Gains on Retirement Benefit (Note 20)	Net Unrealized Losses on Financial Assets at Fair Value through Other Comprehensive Income (Note 7)	Cumulative Translation Adjustment	Total Equity
Balances at January 1, 2024	¥11,543,579,100	¥475,049,814	¥17,299,450	(¥2,248,520,637)	¥5,863,598,152	¥20,858,617	(¥70,830,608)	¥48,048,136	¥15,649,082,024
Total comprehensive income (loss) for the year	—	—	—	—	2,170,517,292	10,330,107	(22,696,356)	30,227,604	2,188,378,647
Balances at December 31, 2024	¥11,543,579,100	¥475,049,814	¥17,299,450	(¥2,248,520,637)	¥8,034,115,444	¥31,188,724	(¥93,526,964)	¥78,275,740	¥17,837,460,671
Balances at January 1, 2023	¥10,543,579,100	¥485,049,814	¥17,277,400	(¥2,248,520,637)	¥4,035,772,746	¥62,564,193	(¥160,439,115)	¥79,148,151	¥12,814,431,652
Issuance of capital stock	1,000,000,000	(10,000,000)	—	—	—	—	—	—	990,000,000
Total comprehensive income (loss) for the year	—	—	—	—	1,827,825,406	(41,705,576)	89,608,507	(31,100,015)	1,844,628,322
Stock grants (Note 18)	—	—	22,050	—	—	—	—	—	22,050
Balances at December 31, 2023	¥11,543,579,100	¥475,049,814	¥17,299,450	(¥2,248,520,637)	¥5,863,598,152	¥20,858,617	(¥70,830,608)	¥48,048,136	¥15,649,082,024
Balances at January 1, 2022	¥10,543,579,100	¥485,049,814	¥17,277,400	(¥2,248,520,637)	¥2,458,819,483	¥66,113,624	(¥31,783,083)	¥38,612,339	¥11,329,148,040
Total comprehensive income (loss) for the year	—	—	—	—	1,576,953,263	(3,549,431)	(128,656,032)	40,535,812	1,485,283,612
Balances at December 31, 2022	¥10,543,579,100	¥485,049,814	¥17,277,400	(¥2,248,520,637)	¥4,035,772,746	¥62,564,193	(¥160,439,115)	¥79,148,151	¥12,814,431,652

See accompanying Notes to Financial Statements.



CHINA BANK SAVINGS, INC.
(A Subsidiary of China Banking Corporation)
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱2,431,108,227	₱2,134,890,168	₱1,722,945,389
Adjustments for:			
Provision for impairment and credit losses (Note 14)	773,248,903	1,015,498,571	1,507,585,488
Depreciation and amortization (Notes 10, 11 and 12)	548,758,623	489,267,845	429,654,413
Gain on asset exchange (Notes 9, 11 and 23)	(292,609,625)	(379,935,234)	(376,181,268)
Interest on lease liabilities (Note 21)	61,370,207	52,212,642	39,109,419
Amortization of premium/(discount) on investment securities	(699,854,342)	12,995,821	36,511,967
Realized trading gains on financial assets at fair value through other comprehensive income (Note 7)	(20,356,048)	(365,441)	—
Stock grants (Note 18)	—	22,050	—
Changes in operating assets and liabilities:			
Decrease (increase) in the amounts of:			
Financial assets at fair value through profit or loss	(49,534,733)	(50,900,076)	—
Loans and receivables	(25,578,695,100)	(24,568,905,021)	(24,448,446,068)
Other assets (Note 13)	(242,385,763)	(457,531,493)	80,588,617
Increase (decrease) in the amounts of:			
Deposit liabilities	29,137,641,582	29,458,341,104	26,401,723,835
Manager's checks	(486,019,794)	435,139,172	(133,686,911)
Accrued interest and other expenses	210,560,753	378,987,053	299,676,353
Other liabilities (Note 16)	617,398,366	82,748,602	182,081,322
Net cash generated from (used in) operations	6,410,631,256	8,602,465,763	5,741,562,556
Income tax paid (Note 22)	(497,945,854)	(446,056,218)	(323,634,787)
Net cash provided by (used in) operating activities	5,912,685,402	8,156,409,545	5,417,927,769
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Financial assets at fair value through other comprehensive income	(79,533,757,836)	(10,822,787,584)	(149,720,981)
Investment securities at amortized cost	(1,053,741,820)	(934,384,243)	(2,674,609,330)
Property and equipment (Note 10)	(414,592,309)	(402,502,281)	(388,711,433)
Software costs (Note 12)	(17,300,392)	(7,053,232)	(35,863,358)
Proceeds from sale/maturity of:			
Financial assets at fair value through other comprehensive income	80,531,081,936	465,089,387	—
Investment properties (Note 11)	739,419,501	1,094,062,530	897,932,696
Non-current assets held for sale (Note 9)	608,017,849	404,923,249	504,667,774
Investment securities at amortized cost	549,380,000	558,658,064	2,067,000,000
Property and equipment (Note 10)	43,916,762	93,151,093	137,893,929
Net cash provided by (used in) investing activities	1,452,423,691	(9,550,843,017)	358,589,297
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from capital infusion (Notes 18 and 23)	—	990,000,000	—
Payments of principal portion of lease liabilities (Note 21)	(286,796,349)	(262,454,969)	(233,139,024)
Net cash provided by (used in) investing activities	(286,796,349)	727,545,031	(233,139,024)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	50,399,274	52,237,801	60,668,343
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,128,712,018	(614,650,640)	5,604,046,385
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	20,001,169,247	20,615,819,887	15,011,773,502
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱27,129,881,265	₱20,001,169,247	₱20,615,819,887
OPERATIONAL CASH FLOWS FROM INTEREST			
Interest received	₱14,286,067,890	₱11,725,492,904	₱8,198,291,816
Interest paid	6,040,597,114	4,290,525,512	1,325,671,162

See accompanying Notes to Financial Statements.



CHINA BANK SAVINGS, INC.
(A Subsidiary of China Banking Corporation)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

In 2007, China Bank Savings, Inc. (CBS or the Bank) was acquired by China Banking Corporation (CBC or the Parent Bank). Following the change in its majority owners, the Bank continues to operate as a thrift bank. As of December 31, 2024 and 2023, the Bank has 170 and 168 branches, respectively.

The Bank's original Certificate of Incorporation was issued by the Philippine Securities and Exchange Commission (SEC) on May 23, 1960. The Bank reopened to the public on June 26, 1999 as a thrift bank in accordance with the Monetary Board (MB) Resolution No. 512 dated April 21, 1999. On August 20, 2009, the Board of Directors (BOD) approved the amendment of the Bank's Articles of Incorporation to extend its corporate term for another fifty (50) years, from and after May 23, 2010, the end of the original term of the Bank's corporate existence. The amendment to the Articles of Incorporation to extend the Bank's corporate term was subsequently approved by the stockholders of the Bank, who own/represent at least two thirds (2/3) of the outstanding capital stock, at the Annual Stockholders' Meeting held in October 2009. The Amended Articles of Incorporation was approved by the SEC on March 25, 2010. By virtue of Section 11 of Republic Act No. 11232 also known as the "Revised Corporation Code of the Philippines, which took effect on February 23, 2019, the Bank now has perpetual existence.

As of December 31, 2024 and 2023, CBC, the ultimate parent bank, has ownership interest in the Bank of 99.64%.

The registered office address of the Bank is at CBS Building, 314 Sen. Gil Puyat Avenue, Makati City.

2. Summary of Material Accounting Policy Information

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVPL) and financial assets at fair value through other comprehensive income (OCI) that have been measured at fair value and non-current assets held for sale (NCAHS) that have been measured at the lower of their carrying amount and fair value less cost to sell. All values are rounded to the nearest peso unless otherwise stated.

The accompanying financial statements of the Bank include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of the RBU and the FCDU is the Philippine peso and the United States dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine peso (see accounting policy on foreign currency translation). The financial statements of these units are combined after eliminating inter-unit accounts and transactions.

Statement of Compliance

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs) Accounting Standards.



Presentation of Financial Statements

The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within twelve (12) months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 17.

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

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

Consolidation

Consolidated financial statements are prepared for the same reporting year as the parent company's using consistent accounting policies. All significant intra-group balances, transactions and income and expenses resulting from intra-group transactions are eliminated in full. Subsidiaries are consolidated from the date on which control is transferred to the parent company.

Principles of control are discussed under the accounting policy on investment in subsidiary. The subsidiaries are immaterial to the financial statements; hence the Bank did not prepare the consolidated financial statements.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amendments to PFRS Accounting Standards which became effective as of January 1, 2024. These changes in the accounting policies did not have any significant impact on the financial position or performance of the Bank.

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

The amendments clarify:

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

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

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



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

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

Material Accounting Policy Information

Common Control Business Combinations

Where there are business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and that the control is not transitory ("business combinations under common control"), the Bank accounts for such business combinations using pooling of interests method.

In applying the pooling of interests method, the Bank follows Philippine Interpretations Committee (PIC) Q&A No. 2012-01, *PFRS 3.2 Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*, which provides the following guidance:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity as additional paid-in capital, i.e., either as contribution or distribution of equity.
- An entity has an option for restatement or non-restatement of financial information in the consolidated financial statements for the periods prior to the date of business combination.

In applying the above guidance, the Bank has made the accounting policy choice of:

- Recognizing the assets acquired and liabilities assumed from the absorbed entity based on their respective carrying values as reported in the financial statements of the absorbed entity as of merger date and adjusted to harmonize with the accounting recognition and measurement policies of the Bank.
- Not restating the consolidated financial statements of the Bank for presentation of the merged balances for periods prior to the merger date.
- Recognizing equity reserves of the absorbed entity such as those arising from the remeasurement of financial assets at FVOCI, retirement plan and cumulative translation adjustment, based on amounts reflected in the financial statements of the absorbed entity on merger date.

Foreign Currency Translation

The financial statements are presented in Philippine peso, which is the Bank's functional currency.

Transactions and balances

The books of accounts of the RBU are maintained in Philippine peso, the RBU's functional currency, while those of the FCDU are maintained in United States (US) dollars (USD), the FCDU's functional currency. For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso based on the Bankers Association of the



Philippines (BAP) closing rate at the reporting date, and foreign currency-denominated income and expenses, at the exchange rates on transaction dates.

Foreign exchange differences arising from restatements of foreign currency-denominated assets and liabilities are credited to or charged against operations in the period in which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

FCDU

As at the reporting date, the assets and liabilities of the FCDU are translated into the Bank's presentation currency (the Philippine Peso) at the BAP closing rate at the reporting date, and its income and expenses are translated at the BAP weighted average rate for the year.

Exchange differences arising on translation are taken directly to the statement of comprehensive income under 'Cumulative translation adjustment'. Upon actual remittance or transfer of the FCDU income to RBU, the related exchange difference arising from translation lodged under 'Cumulative translation adjustment' is recognized in the statement of income of the RBU books.

Fair Value Measurement

The Bank measures financial instruments, such as financial assets at FVOCI, at fair value at each reporting date. The fair values of financial instruments measured at amortized cost (or cost) and nonfinancial assets are disclosed in Note 4.

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 by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If a financial instrument measured at fair value has a bid price and an ask price, the price within bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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



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

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

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

For purposes of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and fair value hierarchy as explained above.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from BSP and other banks, and securities purchased under resale agreements (SPURA) that are convertible to known amounts of cash and which have original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in value.

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

SPURA

The Bank enters into short-term purchases of securities under resale agreements of identical securities with the BSP. Resale agreements are contracts under which a party purchases securities and resells such securities to the same selling party at a specified future date at a fixed price. The amount of advances made under resale agreements are carried as SPURA in the statement of financial position. SPURA are carried at cost. Interest earned on resale agreements is reported as 'Interest income' in the statement of income.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Purchases or 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 such asset is delivered by the Bank. Any change in fair value of unrecognized financial asset is recognized in the statement of income for assets classified as financial assets at fair value through profit or loss (FVPL), and in equity for assets classified as financial assets at FVOCI. Deposits, amounts due from banks and customers and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

Initial recognition of financial instruments

Financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs.



'Day 1' difference

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

Classification, Reclassification and Impairment of Financial Assets

Classification and measurement

The classification and measurement of financial assets is determined based on the contractual cash flow characteristics of the financial assets and business model for managing the financial assets.

As part of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (SPPI) test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g., if there are repayments of principal or amortization of the premium or discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies 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 determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

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

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

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



The Bank's measurement categories are described below:

Financial assets at amortized cost

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

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding; and,
- the asset is held within the Bank's business model whose objective is to hold financial assets in order to collect contractual cash flows.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value. The amortization is included in 'Interest income' in the statement of income.

Gains or losses are recognized in the statement of income when these financial assets are derecognized or impaired, as well as through the amortization process. Gains or losses arising from disposals of these instruments are also included in 'Gains (losses) on disposal of financial assets at amortized cost' in the statement of income. The impairment based on expected credit loss is recognized in the statement of income under provision for impairment and credit losses. The effects of revaluation of foreign currency-denominated investments are recognized in the statement of income.

The Bank's financial assets at amortized cost are presented in the statement of financial position as cash and cash equivalents, investment securities at amortized cost, loans and receivables and certain accounts under other assets.

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.

Financial assets at FVPL

Debt instruments that neither meet the amortized cost nor the FVOCI criteria, or that meet the criteria but the Bank has chosen to designate as at FVPL at initial recognition to eliminate or significantly reduce an accounting mismatch, are classified as financial assets at FVPL. Equity investments are classified as financial assets at FVPL, unless the Bank designates an equity investment that is not held for trading as at FVOCI at initial recognition.

Financial assets at FVOCI - equity investments

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Bank for trading purposes. The Bank has designated its unquoted equity investments as at FVOCI as these are not held for trading purposes and are not intended to be sold in the foreseeable future.

Financial assets 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 other comprehensive income and accumulated in net unrealized gains (losses) on financial assets at fair value through other comprehensive income in the statement of financial position.



When the asset is disposed of, the cumulative gain or loss previously recognized in the net unrealized gains (losses) on financial assets at fair value through other comprehensive income is not reclassified to profit or loss, but is reclassified directly to 'Surplus' account. Any dividends earned on holding these equity instruments are recognized in profit or loss under 'Miscellaneous income' account.

Financial assets at FVOCI - debt investments

The Bank applies the category of debt instruments measured at FVOCI when both of the following conditions are met:

- the contractual terms of the instrument give rise, or specified dates, to cash flows that are SPPI on the principal amount outstanding; and
- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.

Debt instruments at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value being recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. The ECL calculation for financial assets at FVOCI is explained in the 'Impairment of Financial Assets' section.

On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

Reclassification

The Bank can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Bank is required to reclassify financial assets:

- (i) from amortized cost to FVPL or FVOCI, if the objective of the business model changes so that the amortized cost criteria are no longer met; and,
- (ii) from FVPL to amortized cost or FVOCI, if the objective of the business model changes so that the amortized cost or FVOCI criteria start to be met and the characteristic of the instrument's contractual cash flows are SPPI; and,
- (iii) from amortized cost to FVOCI if the business model changes so that the objective becomes both to collect contractual cash flows and sell or from FVOCI to amortized cost if the business model becomes solely for the collection of contractual cash flows.

Reclassification of financial assets designated as at FVPL or equity financial assets at FVOCI is not permitted.

A change in business model occurs when the Bank either begins or ceases to perform an activity that is significant to its operations. 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.

Impairment of financial assets

ECL represent credit losses that reflect an unbiased and probability-weighted amount which 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. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that result from all possible default events over the expected life of a financial instrument.



For non-credit-impaired financial instruments:

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

For credit-impaired financial instruments:

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

Refer to Note 5 for the Bank's ECL methodology.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

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

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

The transfer of risks and rewards is evaluated by comparing the Bank's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset. The Bank has retained substantially all the risks and rewards of ownership of a financial asset if its exposure to the variability in the present value of the future net cash flows from the financial asset does not change significantly as a result of the transfer (e.g., because the entity has sold a financial asset subject to an agreement to buy it back at a fixed price or the sole price plus a lender's return).

The Bank has transferred substantially all the risks and rewards of ownership of a financial asset if its exposure to such variability is no longer significant in relation to the total variability in the present value of the future net cash flows associated with the financial asset (e.g., because the entity has sold a financial asset subject only to an option to buy it back at its fair value at the time of repurchase or has transferred fully proportionate share of the cash flows from a larger financial asset in an agreement).



Whether the Bank has retained control of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the entity has not retained control.

Modification of financial assets

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

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

- introduction of an equity feature;
- change in counterparty; and
- if the modification results in the asset no longer considered SPPI.

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

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

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

Write-offs

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

Financial liabilities

Financial liabilities include deposits, manager's checks, accrued interest and other expenses, and taxes. Financial liabilities are recognized initially at their fair value and when necessary, are subsequently measured at amortized cost using the effective interest method. Deposit liabilities are stated at amounts in which they are to be paid. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial



liability is replaced by another from the same lender on substantially different terms, or the terms of existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Exchange or modification of financial liabilities

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

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

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

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

NCAHS

NCAHS include repossessed vehicles acquired in settlement of loans and receivable. The Bank classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

NCAHS are measured at the lower of their carrying amount and fair value less costs to sell and are no longer depreciated or amortized. The criteria for NCAHS classification are regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

If the Bank decides to use an asset as property and equipment, the related asset ceases to qualify as NCAHS and is reclassified to property and equipment.



Upon reclassification, the Bank measures a non-current asset that ceases to be classified as held for sale at the lower of:

- its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortization or revaluation that would have been recognized had the asset not been classified as held for sale, and
- its recoverable amount at the date of the subsequent reclassification.

Property and Equipment

Land is stated at cost less any impairment in value while depreciable properties including buildings and furniture, fixture and equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred and if the recognition criteria are met, but excluding repairs and maintenance costs. Leasehold rights and improvements are stated at cost less accumulated amortization, and any impairment in value.

Depreciation and amortization are calculated using the straight-line method over the estimated useful life (EUL) of the depreciable assets as follows:

Condominium properties, buildings and improvements	20 to 40 years
Furniture, fixtures and equipment	2 to 10 years
Leasehold improvements	5 to 10 years or the related lease terms, whichever is shorter

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

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

Investment Properties

Investment properties include real properties acquired in settlement of loans and receivables and investments in real estate.

Real properties acquired in settlement of loans and receivables

Real properties acquired in settlement of loans and receivables are booked under ROPA account as follows:

- upon the date of entry of judgment in case of judicial foreclosure; or
- upon the date of Sheriff's Certificate of Sale in case of extrajudicial foreclosure; or
- upon the date of notarization of the Deed of Dacion in case of dation in payment.

These properties are carried at cost, which is the fair value at acquisition date including certain transaction costs, less accumulated depreciation and impairment in value. Transaction costs, which include nonrefundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of the carrying values of the cost of the real properties acquired. Investment properties acquired through a nonmonetary asset exchange is measured initially at fair value unless (a) the exchange lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable, where the net carrying value of the related



loans and receivables is used. The difference between the fair value of the foreclosed properties and the carrying value of the related receivables given up is recognized in 'Gain (loss) on asset exchange' account in the statement of comprehensive income. Subsequent to initial recognition, real properties acquired in settlement of loans and receivables are stated at cost less accumulated depreciation and any accumulated impairment in value. Depreciation is computed on a straight-line basis over the EUL from the time of acquisition of the investment properties but not to exceed 30 years.

Investments in real estate

Investments in real estate consist of investments in land and building. The Bank applies the cost model in accounting for investments in real estate. Investment in land is carried at cost less impairment in value. Building is carried at cost less accumulated depreciation and impairment in value. All costs that are directly attributable to the acquisition and development of property are capitalized, including borrowing costs incurred to finance the property development. Depreciation is computed on a straight-line basis between 20 to 40 years.

Subsequent measurement of investment properties

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

The carrying values of the investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any of such indication exists and where the carrying values exceed the estimated recoverable amount, the investment property or Cash Generating Unit (CGU) it is related to are written down to their recoverable amounts.

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

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

Intangible Assets

Intangible assets consist of software costs and branch licenses.

Software costs

Costs related to software purchased by the Bank for use in operations are recognized as 'Software costs' in the statement of financial position. Capitalized computer software costs are amortized on a straight-line basis over 3 to 7 years.

Branch licenses

These intangible assets were determined to have indefinite useful lives and are therefore not amortized. The useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. Branch licenses are tested for impairment annually either individually or at the CGU level.



Impairment is determined by assessing the recoverable amount of the individual asset or CGU (or group of CGUs) to which the intangible asset relates. Recoverable amount is the higher of the individual asset's or CGU's fair value less cost to sell and its value in use. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. 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 methodology, as appropriate, which are then treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is presented as a separate line item in the statement of income under 'Depreciation and amortization' account.

Investment in a Subsidiary and an Associate

Investment in a subsidiary

A subsidiary pertains to an entity over which the Bank has control. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investment in a subsidiary is carried at acquisition cost, less any impairment in value.

This policy relates to the Bank's investment in a 100% owned subsidiary recorded in 'Other equity investments' under 'Other assets'.

Investment in an associate

An associate pertains to an entity over which the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in an associate is accounted for under the equity method of accounting.

Under the equity method, an investment in an associate is carried in the statement of financial position at cost plus post-acquisition changes in the Bank's share of the net assets of the associates. Goodwill, if any, relating to an associate is included in the carrying value of the investment and is not amortized. When the Bank increases its ownership interest in an associate that continues to be accounted for under the equity method, the cost for the additional interest is added to the existing carrying amount of the associate and the existing interest in the associate is not remeasured.

The Bank's share of its associate's post-acquisition profits or losses is recognized in the statement of income, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Bank and an associate are eliminated to the extent of the interest in the associate. Dividends received, if any, are treated as a reduction in the carrying value of the investment.

In cases where an associate is in a net liability position, the equity method requires the Bank to discontinue recognizing its share of further losses when its cumulative share in the losses of the associate equals or exceeds its interest in the associate, unless the Bank has incurred legal or constructive obligations or made payments on behalf of the associate, in which case a liability is recognized.

This policy relates to the Bank's investment in a 49%-owned investee company recorded in 'Other equity investments' under 'Other assets'.



As of December 31, 2024 and 2023, the investment in an associate, which was acquired as a result of merger with PDB, is fully impaired (Note 13).

Impairment of Nonfinancial Assets

At each reporting date, the Bank assesses whether there is any indication that its nonfinancial assets (i.e., property and equipment, investment properties, investment in a subsidiary and an associate, software cost) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of recoverable amount.

Recoverable amount is the higher of an asset's or CGU'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 other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU 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 CGU.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against the statement of income in the period in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Leases

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

Bank as a lessee

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

a. Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized adjusted by lease payments made at or before the commencement date and lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the depreciable assets. The depreciation expense is presented under 'Depreciation and amortization' in the statement of income.



If ownership of the leased asset transfers to the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of Nonfinancial Assets. Right-of-use assets are presented under Property and Equipment in the statement of financial position.

b. Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

c. Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of branch sites (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of branch sites that are considered to be low value. (i.e., those with value of less than ₱250,000). Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Equity

Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Additional paid-in capital' account. If the 'Additional paid-in capital' is not sufficient, the excess is charged against the 'Surplus (deficit)'. The



effect of positive (negative) equity adjustments arising from business combination under common control is included under 'Additional paid-in capital' ('Other equity reserves').

When the Bank issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Surplus

Surplus represents cumulative balance of periodic net income or loss, dividend declarations, prior period adjustments, effect of changes in accounting policy and other capital adjustments, if any.

Revenue Recognition

Revenues within the scope of PFRS 15, Revenue from Contracts with Customers

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

The following specific recognition criteria must be met before revenue is recognized for contracts within the scope of PFRS 15:

Service fees and commission income

Fees earned for the provision of services are recognized once services are rendered. Service fees and commission income are measured at the amount of consideration which the Bank expects to be entitled in exchange for transferring promised services to the customers. These fees include charges from usage of ATM, charges for returned checks, charges for below minimum maintaining balance, bancassurance and commission income.

Income (loss) from sale or disposal of nonfinancial assets

Gain (loss) from sale or disposal of nonfinancial assets which pertains to the difference between the consideration from the sale or disposal and the carrying amount of the asset is recognized completion of the earnings process, the transfer of control over the property to the buyer, and the collectability on the sales price is reasonably assured. This is presented as part of "Gain (loss) on asset exchange" in the statement of income.

Other income

Income from sale of properties is recognized when control has been transferred to the counterparty and when the collectability of the sales price is reasonably assured.

Revenues outside the scope of PFRS 15

Interest income

For all interest-bearing financial assets, interest income is recorded at either EIR, which 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, or at rate stated in the contract. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, as applicable, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income'. Loan commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and



recognized as an adjustment to the EIR on the loan. If the commitment expires without the Bank making the loan, the commitment fees are recognized as other income on expiry.

Once the recorded value of the financial asset or group of financial assets has been reduced due to impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Gain (loss) on asset exchange

Gain (loss) on asset exchange transaction is recognized upon foreclosure of loan collaterals (see accounting policy on investment properties and NCAHS). The gain or loss on foreclosure represents the difference between the fair value of the asset received and book value of the asset given up.

Gain on disposal of financial assets at amortized cost

This represents results arising from sale of investment securities measured at amortized cost.

Rental income

Rental income arising from leased properties under operating leases is accounted from on a straight-line basis over the lease terms on ongoing leases and is recorded in the statement of income under 'Income from property rentals'.

Trading and securities gains - net

This represents results arising from trading activities and sale of FVPL and FVOCI debt assets.

Dividend income

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

Expense Recognition

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

Interest expense

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

Operating expenses

Operating expenses constitute costs which arise in the normal business operation and are recognized when incurred.

Taxes and licenses

These include all other taxes, local and national, including gross receipts tax (GRT), real estate taxes and licenses and permit fees which are recognized when incurred.

Retirement Benefits

The net defined benefit asset or liability is the aggregate of the present value of the defined benefit obligation at the reporting date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The defined benefit obligation is calculated annually by an independent actuary. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on government bonds that have terms to maturity approximating the terms of the related retirement asset or liability. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



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

Defined benefit costs comprise the following:

- a. service cost;
- b. net interest on the net defined benefit liability or asset; and
- c. remeasurements of net defined benefit liability or asset.

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

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

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

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

The Bank's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain. If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Share-based Payments (Stock Grants)

Employees (including senior executives) of the Bank received remuneration in the form of share-based payments (stock grants), whereby employees rendered services as consideration for equity instruments (equity-settled transactions) of the Parent Bank. The Parent Bank has the obligation to settle the transaction with the Bank's employees by providing its own equity instruments.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of



income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Bank's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met.

An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the Bank or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

When the equity-settled transactions vest immediately but the grant date is not yet determined as of reporting date, the Group recognizes the expense and the corresponding increase in equity using the estimated grant date fair value as of reporting date. Subsequently, once the grant date is determined, the Bank revises the estimate based on the actual grant date fair value.

Provisions and Contingencies

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

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

Income Taxes

Current tax

Current tax assets and current tax liabilities for the current period and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the reporting date. Effective January 1, 2019, management periodically evaluates positions taken in the



tax return with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax assets and deferred tax liabilities, however, is not recognized on temporary differences that arise 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 amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Current tax and deferred tax relating to items recognized directly in equity is also recognized in equity and not in the statement of income.

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

Current tax and deferred tax relating to items recognized directly in equity is also recognized in equity and not in the statement of income.

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

Events after the Reporting Date

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



Standards Issued but Not Yet Effective

These are new PFRSs and amendments, interpretation and annual improvements to existing standards that are effective for annual periods subsequent to 2024. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements:

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

Effective beginning on or after January 1, 2026

- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Annual Improvements to PFRS Accounting Standards-Volume 11
 - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
 - Amendments to PFRS 7, *Gain or Loss on Derecognition*
 - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities and Transaction Price*
 - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
 - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability*

Deferred effectivity

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

3. Significant Accounting Judgments and Estimates

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

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



Judgments

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

a. *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position or disclosed in the notes cannot be derived from active markets, they are determined using discounted cash flow model, incorporating inputs such as current market rates of comparable instruments. The carrying values and corresponding fair values of financial instruments, as well as the manner in which fair values were determined, are discussed in more detail in Note 4.

b. *Classification of NCAHS*

The Bank classifies assets as NCAHS if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

The criteria for NCAHS classification are regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

c. *Contingencies*

The Bank is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Bank's defense in these matters and is based upon an analysis of potential results. The Bank currently does not believe that these proceedings will have a material adverse effect on the financial statements. 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 (Note 24).

d. *Evaluation of business model in managing financial instruments*

The Bank manages its financial assets based on business models that maintain an 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 investment 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 the entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument). In determining the classification of a financial instrument, the Bank evaluates in which business model a financial asset or a portfolio of financial assets belong to taking into consideration the objectives of each business model established by the Bank, various risks and key performance indicators being reviewed and monitored by responsible officers, as well as the manner of compensation for them. The Bank also considers the frequency, value, reasons and timing of past sales and expectation of future sales activity in this evaluation.

In addition, if more than an infrequent and more than an insignificant sale is made of a portfolio of financial assets carried at amortized cost, the Bank assesses whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers certain circumstances to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect



business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

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

e. Testing the cash flow characteristics of financial assets

In determining the classification of financial assets, 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 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.

Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustment to the carrying amounts in the statement of financial position within the next financial year are described below:

a. Expected credit losses on financial assets

The Bank reviews its financial assets and commitments at each reporting date to determine the amount of expected credit losses to be recognized in the statement of financial position and any changes thereto in the statement of income. In particular, judgments and estimates by management are required in determining:

- whether a financial asset has a significant increase in credit risk since initial recognition.
- whether a default has taken place and what comprises a default;
- macro-economic factors that are relevant in measuring a financial asset's probability of default as well as the Bank's forecast of these macro-economic factors;
- probability weights applied over a range of possible outcomes;
- sufficiency and appropriateness of data used and relationships assumed in building the components of the Bank's expected credit loss models;
- the measurement of the exposure at default for unused commitments on which an expected credit loss should be recognized and the applicable loss rate.

The gross carrying amounts and the related allowance for credit losses of financial assets are disclosed in Note 14.



b. Impairment of non-financial assets

Investment properties

The Bank assesses impairment on investment properties 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:

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

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the fair value less cost to sell for real properties. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

The carrying values of the Bank's investment properties are disclosed in Note 11.

Branch licenses

The Bank conducts an annual review for any impairment in the value of branch licenses.

Branch licenses are written down for impairment where the recoverable value is insufficient to support their carrying value (see Note 12).

c. Recognition of deferred income taxes

Deferred tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits 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 net deferred tax assets and unrecognized deferred tax assets are disclosed in Note 22.

d. Net retirement asset (liability) and retirement expense

The determination of the Bank's net retirement asset (liability) and annual retirement expense is dependent on the selection of certain assumptions used in calculating such amounts. These assumptions include, among others, discount rates and salary increase rates.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the reporting date. The salary projection rate was based on the historical trend of salary increase rate of the Company. Refer to Note 20 for the details on the assumptions used in calculating the defined benefit asset (liability).



4. Fair Value Measurement

The methods and assumptions used by the Bank in estimating the fair values of its assets and liabilities are:

Cash and cash equivalents and financial assets recorded under 'Other assets' - The carrying amounts approximate their fair values in view of the relatively short-term maturities of these instruments.

Debt securities - Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Equity securities – for quoted equity instruments, fair value is based on published quotation rates. For unquoted equity securities, remeasurement to their fair values is determined to be not material to the financial statements.

Loans and receivables and unquoted debt securities - Fair values are estimated using the discounted cash flow methodology, applying the Bank's current incremental lending rates for similar types of receivables or securities. The discount rates used in estimating the fair value of loans and receivables are the incremental lending rates ranging from 2.13% to 37.24% in 2024 and from 2.13% to 35.70% in 2023.

Deposit liabilities - Fair values of time deposits are estimated using the discounted cash flow methodology, using the Bank's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable. The discount rates used in estimating the fair value of time deposits as of December 31, 2024 and 2023 range from 0.13% to 6.88% and from 0.13% to 7.00%, respectively.

Manager's checks accrued interest and other expenses and other liabilities - Carrying amounts approximate fair values due to the short-term nature of the accounts.

Investment properties - The fair values of the Bank's investment properties have been determined based on valuations made by accredited independent or in-house appraisers on the basis of recent sales of similar properties in the same areas and taking into account the economic conditions prevailing at the time the valuations were made.

As of December 31, 2024 and 2023, the classification under the fair value hierarchy of the Bank's assets and liabilities measured at fair value or with disclosure of fair values, except for those financial assets and liabilities at amortized cost with carrying values that approximates fair values, are presented below:

	December 31, 2024				
	Carrying Value	Level 1	Level 2	Level 3	Total
Recurring fair value measurements					
Financial assets at FVPL					
Government debt securities	₱100,434,809	₱100,434,809	₱–	₱–	₱100,434,809
Financial assets at FVOCI					
Government debt securities	11,982,700,787	4,514,373,105	7,468,327,682	–	11,982,700,787
Quoted equity securities	37,715,576	37,715,576	–	–	37,715,576
	₱12,120,851,172	₱4,652,523,490	₱7,468,327,682	₱–	₱12,120,851,172

(Forward)



December 31, 2024					
	Carrying Value	Level 1	Level 2	Level 3	Total
Fair values of assets carried at amortized cost					
Investment securities at amortized cost					
Government debt securities	₱6,552,432,008	₱4,447,088,285	₱1,922,917,539	₱—	₱6,370,005,824
Private debt securities	274,889,043	246,621,019	—	—	246,621,019
Loans and receivables					
Loans and discounts					
Consumer lending	118,433,277,967	—	—	94,081,922,746	94,081,922,746
Corporate and commercial lending	13,837,378,594	—	—	13,741,125,699	13,741,125,699
Others	10,739,726	—	—	11,389,692	11,389,692
Sales contracts receivable	1,408,858,767	—	—	1,147,669,170	1,147,669,170
	₱140,517,576,105	₱4,693,709,304	₱1,922,917,539	₱108,982,107,307	₱115,598,734,150
Fair values of assets carried at cost					
Investment properties					
Land	₱1,226,786,328	₱—	₱—	₱2,287,102,462	₱2,287,102,462
Condominium properties, buildings and improvements	648,324,679	—	—	1,598,175,581	1,598,175,581
	₱1,875,111,007	₱—	₱—	₱3,885,278,043	₱3,885,278,043
Fair values of liabilities carried at amortized cost					
Deposit liabilities – Time	₱117,088,781,450	₱—	₱—	₱117,031,252,164	₱117,031,252,164

December 31, 2023					
	Carrying Value	Level 1	Level 2	Level 3	Total
Recurring fair value measurements					
Financial assets at FVPL					
Government debt securities	₱50,900,076	₱50,900,076	₱—	₱—	₱50,900,076
Financial assets at FVOCI					
Government debt securities	12,379,155,364	10,734,962,556	1,644,192,807	—	12,379,155,363
Quoted equity securities	24,515,275	24,515,275	—	—	24,515,275
	₱12,454,570,715	₱10,810,377,907	₱1,644,192,807	₱—	₱12,454,570,714
Fair values of assets carried at amortized cost					
Investment securities at amortized cost					
Government debt securities	₱5,765,823,673	₱3,321,362,877	₱2,273,358,100	₱—	₱5,594,720,977
Private debt securities	492,957,035	482,398,604	—	—	482,398,604
Loans and receivables					
Loans and discounts					
Consumer lending	95,802,837,535	—	—	81,831,925,298	81,831,925,298
Corporate and commercial lending	13,091,859,797	—	—	12,510,268,325	12,510,268,325
Others	9,132,162	—	—	15,139,611	15,139,611
Sales contracts receivable	1,411,272,346	—	—	1,367,542,747	1,367,542,747
	₱116,573,882,548	₱3,803,761,481	₱2,273,358,100	₱95,724,875,981	₱101,801,995,562
Fair values of assets carried at cost					
Investment properties					
Land	₱1,343,213,587	₱—	₱—	₱2,326,286,576	₱2,326,286,576
Condominium properties, buildings and improvements	606,792,771	—	—	1,612,794,890	1,612,794,890
	₱1,950,006,358	₱—	₱—	₱3,939,081,466	₱3,939,081,466
Fair values of liabilities carried at amortized cost					
Deposit liabilities – Time	₱90,535,289,647	₱—	₱—	₱90,494,304,255	₱90,494,304,255

As of December 31, 2024 and 2023, there were no transfers into and out of Level 3 fair value measurement.

Inputs used in estimating fair values of financial instruments carried at amortized cost and categorized under Level 3 include risk-free rates and applicable risk premium.



Description of the valuation techniques used in the valuation of the Bank's investment properties are as follows:

Valuation Techniques

Market Data Approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.
Replacement Cost Approach	It is an estimate of the investment required to duplicate the property in its present condition. It is reached by estimating the value of the land and adding the depreciated cost of the improvement.

Significant unobservable inputs used in the valuation of the Bank's investment properties are as follows:

	Valuation Techniques	Significant Unobservable Inputs
Land	Market Data Approach	Price per square meter, size, location, shape, time, element and corner influence
Land and Building	Market Data Approach and Cost Approach	Reproduction cost new - the cost to create a virtual replica of the existing structure, employing the same design and similar building materials

5. Financial Risk Management Objectives and Policies

The Bank's activities are principally related to the profitable use of financial instruments. Risks are inherent in these activities but are managed by the Bank through a rigorous, comprehensive and continuous process of identification, measurement, monitoring and mitigation of these risks, partly through the effective use of risk and authority limits, process controls and monitoring, and independent controls. As reflected in its corporate actions and organizational improvements, the Bank has placed due importance to expanding and strengthening its risk management process and considers it as a vital component to the Bank's continuing profitability and financial stability.

Central to the Bank's risk management process is its adoption of a risk management program intended to avoid unnecessary risks, manage and mitigate unavoidable risks and maximize returns from taking acceptable risks necessary to sustain its business viability and good financial position in the market.

The key financial risks that the Bank faces are: credit risk, market risk (i.e., interest rate risk), and liquidity risk. The Bank's risk management objective is primarily focused on controlling and mitigating these risks. The gravity of the risks, the magnitude of the financial instruments involved, and the regulatory requirements are the primary considerations to the scope and extent of the risk management processes put in place for the Bank.

Risk Management Structure

The BOD of the Bank has the primary responsibility for the establishment of a risk management system and is ultimately accountable for all risks taken within the Bank. The BOD has established, among others, the following committees to directly handle the Bank's risk management framework, policies and implementation in their respective risk management areas: the Executive Committee (ExeCom), Audit Committee (AudCom), Credit Committee (CreCom), Corporate Governance Committee (CGC) and the Risk Oversight Committee (ROC).



All Board committees report regularly to the BOD on their activities.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The BOD has delegated to the ROC the formulation and supervision of the risk management process which includes, among others, determining the appropriate risk mitigating strategies and operating principles, adoption of industry standards, development of risk metrics, monitoring of key risk indicators, and the imposition of risk parameters. The ROC is composed of three members of the BOD, all of whom are independent directors. The Bank's ROC shall be responsible for the oversight and development of all risk management functions within the Bank. The ROC develops appropriate strategies through a written practical risk management plan for managing the major categories of risk events and minimizing the magnitude of expected losses, giving priority to the risk events with the largest expected losses. The Risk Management Division (RMD) supports the ROC in fulfilling its responsibilities, including overseeing the implementation of risk management strategies and specific risk control measures as approved by the Board of Directors (BOD). Additionally, the RMD actively monitors material risks on a daily basis, ensuring that the Bank engages only in risk-taking activities authorized by the ROC. The RMD is headed by the Chief Risk Officer (CRO) who reports the results of risk measurements to the ROC. Apart from RMD, each business unit has created and put in place various process controls which ensure that all the external and internal transactions and dealings of the unit are in compliance with the unit's risk management objectives

The Bank's AudCom, on the other hand, focuses on checking whether adequate process and operational controls are in place and functioning as designed, as well as monitoring compliance thereto by the business and support units. The role of the AudCom is very critical in the proper corporate governance and effective risk management because of its independence from the Bank's top and middle level management. The AudCom is comprised of independent directors who neither participate in the Bank's daily activities nor take decision-making responsibilities. The AudCom delegates its daily control and monitoring functions to the Internal Audit Department (IAD).

The IAD is likewise independent from the business and support units and reports exclusively to the AudCom. The IAD undertakes its control function through regular process, operational and financial audits which it conducts all throughout the year. The audit covers all processes and controls in the Head Office and the branches. The audit results and exceptions, including recommendations for their resolution or improvement, are discussed initially with the business units concerned before these are presented to the AudCom.

Risk Management Reporting

The ROC discusses risk management issues on a quarterly basis. The ROC discusses key risk indicators and specific risk management issues that would need resolution from top management. The key risk indicators were formulated on the basis of the financial risks faced by the Bank. The key risk indicators contain information from all business units that provide measurements on the level of the risks taken by the Bank with its transactions, products and financial structure. Among others, the report on key risk indicators includes information on the Bank's aggregate credit exposure, credit metric forecasts, market risk analysis, utilization of market and credit limits, liquidity ratios, overall loan loss provisioning and risk profile changes.



The CreCom reviews and resolves credit-related issues such as credit facility approval, credit and collection strategies on a particular account, and credit monitoring. Loan loss provisioning and credit limit utilization are also discussed in more detail in the CreCom. On a weekly basis, the CreCom discusses detailed reporting of industry, customer and geographic risks arising from the Bank's existing loan portfolio. A comprehensive risk report is submitted to the BOD every quarter for an overall assessment of the level of risks taken by the Bank.

Risk Mitigation

The Bank uses financial instruments to manage exposures resulting from changes in interest rates, foreign currencies, credit risks and exposures arising from forecast transactions. However, the nature and extent of use of these financial instruments to mitigate risks are limited to those allowed by the BSP for a thrift bank.

To further mitigate risk throughout its different business and supporting units, the Bank is in the continuous process of improving its existing risk management policies. These policies further serve as the framework and set the guidelines in the creation or revisions of operating policies and manuals for each business unit. In the process design and implementation, process controls are preferred over detection controls. Clear delineation of responsibilities and separation of incompatible duties among officers and staff as well as among business units are reiterated in these policies.

To the extent possible, reporting and accounting responsibilities are segregated from units directly involved in operations and front line activities (i.e., players must not be scorers). This is to improve the credibility and accuracy of management information. Any inconsistencies in the operating policies and manuals with the risk framework established by risk management policies are taken up and resolved in the ROC and ExeCom.

The Operational Risk Assessment Program and IT Risk Frameworks require the Bank to undergo periodic operational risk assessment and for all business units to conduct risk and control self-assessments. These enable determination of priority risk areas, assessment of mitigating controls in place, and institutionalization of additional measures to ensure both a controlled operating environment and proper handling of IT risk exposures. RMD maintains and updates the Bank's Centralized Loss Database wherein all reported incidents of losses shall be encoded to enable assessment of weaknesses in the processes and come up with viable improvements to avoid recurrence.

Monitoring and controlling risks are primarily performed based on various limits established by the top management covering the Bank's transactions and dealings. These limits reflect the Bank's business strategies and market environment as well as the levels of risks that the Bank is willing to tolerate, with additional emphasis on selected industries. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Business Continuity Management

In the aftermath of the pandemic, the China Bank Group has built its business resilience around policies that would ensure that the Group is able to service and respond to the requirements of its clients and to continue to fulfill the transaction cycle in its operations.

The Group implemented "The New Normal Work Force and Work Management Plan for the COVID-19 Pandemic" to provide general direction and guidance in sustaining the operations of the Group through the pandemic. The plan put in place health and safety protocols which along with the implementation of the buddy branch system ensured the uninterrupted delivery of services. Changes in the processes of business units arising from the implementation of the plan and the establishment



of the extension office are continuously updated and incorporated in the risk and control self-assessment and business impact analysis tools to reflect the changes in the risk profile. Appropriate measures are also updated and implemented in light of these changes.

Excessive Risk Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines focusing on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The Bank's AudCom is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's AudCom is assisted in these functions by IAD. The IAD undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the AudCom.

Credit Risk

Credit Risk and Concentration of Assets and Liabilities and Off-Balance Sheet Items

Credit risk is the risk of financial loss due to one party to a financial product failing to discharge an obligation. The Bank faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers (i.e., investment securities issued by either sovereign or corporate entities) and through implied or actual contractual agreements (i.e., on or off-balance sheet exposures). The Bank manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual credit or transaction).

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented with regard to the acceptability of types of collateral and valuation parameters.

The Bank has risk limits setting for purposes of monitoring and managing credit risk from individual counterparties and groups of counterparties. It also conducts periodic assessment of the creditworthiness of its counterparties. In addition, the Bank obtains collateral where appropriate, enters into master netting agreements and collateral arrangements with counterparties, and limits the duration of exposures. The Bank adopted an internal credit scoring system for the purpose of measuring credit risk for retail borrowers in a consistent manner, as accurately as possible, and thereafter uses the risk information for business and financial decision making.



The details of the composition of the loans and receivable and trading and investment securities portfolios (net of allowance for impairment and credit losses) and the corresponding information on credit concentration as to industry are disclosed below (in thousands):

2024							
	Loans and receivables	%	Other financial assets*	%	Off-balance sheet exposures	%	Total
Consumer	₱88,228,255	64.37	₱1,039,422	2.26	₱—	—	₱89,267,677
Government	—	—	40,314,347	87.63	—	—	40,314,347
Real estate, renting and business services	34,996,850	25.53	412,300	0.90	239,031	10.22	35,648,181
Wholesale and retail trade	2,560,163	1.87	30,161	0.07	166,116	7.10	2,756,440
Agriculture	3,513,582	2.56	41,394	0.09	8,000	0.34	3,562,976
Financial intermediaries	202,818	0.15	2,339,166	5.08	1,049	0.04	2,543,033
Manufacturing	2,054,205	1.50	24,201	0.05	170,048	7.27	2,248,454
Electricity, gas, steam and air- conditioning supply	1,401,411	1.02	16,510	0.04	5,000	0.21	1,422,921
Transportation, storage and communication	1,229,412	0.90	14,484	0.03	4,004	0.17	1,247,900
Construction	655,084	0.48	7,718	0.02	56,683	2.42	719,485
Hotels and restaurant	581,082	0.42	6,846	0.01	—	—	587,928
Health and social work	540,657	0.39	6,370	0.01	—	—	547,027
Education	492,459	0.36	5,802	0.01	450	0.02	498,711
Other community, social and personal services	233,277	0.17	2,748	0.01	—	—	236,025
Others	373,780	0.28	1,743,128	3.79	1,688,118	72.19	3,805,026
Total	137,063,035	100.00	46,004,597	100.00	2,338,499	100.00	185,406,131
Allowance for impairment and credit losses	(3,372,780)		(741,563)		—		(4,114,343)
Net	₱133,690,255		₱45,263,034		₱2,338,499		₱181,291,788

* Other financial assets include the following: due from BSP, due from other banks, SPURA, financial assets at FVPL, financial assets at FVOCI, investments securities at amortized cost and other financial assets.

2023							
	Loans and receivables	%	Other financial assets*	%	Off-balance sheet exposures	%	Total
Consumer	₱70,166,344	61.75	₱886,920	2.28	₱—	—	₱ 71,053,264
Government	—	—	33,644,577	86.37	—	—	33,644,577
Real estate, renting and business services	31,051,589	27.33	392,500	1.01	43,396	2.54	31,487,485
Wholesale and retail trade	2,172,497	1.91	27,461	0.07	232,867	13.61	2,432,825
Agriculture	2,548,760	2.24	32,217	0.08	8,000	0.47	2,588,977
Financial intermediaries	202,856	0.18	2,204,272	5.66	—	—	2,407,128
Manufacturing	1,758,285	1.55	22,225	0.06	70,244	4.11	1,850,754
Electricity, gas, steam and air- conditioning supply	1,550,635	1.36	19,600	0.05	16,250	0.95	1,586,485
Transportation, storage and communication	1,293,598	1.14	16,351	0.04	9,821	0.57	1,319,770
Construction	746,080	0.66	9,431	0.02	28,850	1.69	784,361
Hotels and restaurant	567,718	0.50	7,176	0.02	—	—	574,894
Health and social work	549,828	0.48	6,950	0.02	—	—	556,778
Education	349,380	0.31	4,416	0.01	—	—	353,796
Other community, social and personal services	314,367	0.28	3,974	0.01	—	—	318,341
Others	358,615	0.31	1,675,889	4.30	1,301,062	76.06	3,335,566
Total	113,630,552	100.00	38,953,959	100.00	1,710,490	100.00	154,295,001
Allowance for impairment and credit losses	(3,315,450)		(862,335)		—		(4,177,785)
Net	₱110,315,102		₱38,091,624		₱1,710,490		₱150,117,216

* Other financial assets include the following: due from BSP, due from other banks, SPURA, financial assets at FVOCI, investments securities at amortized cost and other financial assets.



Real estate, renting and business services include exposure to consumer housing loans, which are mostly covered with loan guaranty from Philippine Guarantee Corporation (PGC) amounting to ₱13.61 billion and ₱9.78 billion as of December 31, 2024 and 2023, respectively. PGC guaranteed loans are considered as non-risk item for regulatory reporting purposes.

Maximum exposure to credit risk

The tables below provide the analysis of the maximum exposure to credit risk of the Bank's financial instruments.

	December 31, 2024		
	Gross maximum exposure	Net exposure	Financial effect of collateral or credit enhancement
Credit risk exposure relating to on-balance sheet items are as follows:			
Loans and receivables			
Loans and discounts			
Consumer lending	118,433,277,967	69,855,650,913	48,577,627,054
Corporate and commercial lending	13,837,378,594	2,608,855,041	11,228,523,553
Others	10,739,726	—	10,739,726
Sales contract receivable	1,408,858,767	—	1,408,858,767
	₱133,690,255,054	₱72,464,505,954	₱61,225,749,100

	December 31, 2023		
	Gross maximum exposure	Net exposure	Financial effect of collateral or credit enhancement
Credit risk exposure relating to on-balance sheet items are as follows:			
SPURA	₱3,644,595,747	₱—	₱3,644,595,747
Loans and receivables			
Loans and discounts			
Consumer lending	95,802,837,535	55,188,251,596	40,614,585,939
Corporate and commercial lending	13,091,859,797	5,095,839,859	7,996,019,938
Others	9,132,162	3,292,791	5,839,371
Sales contract receivable	1,411,272,346	—	1,411,272,346
	₱113,959,697,587	₱60,287,384,246	₱53,672,313,341

The maximum exposure to credit risks for the other financial assets is limited to the carrying value as of December 31, 2024 and 2023. The fair values of financial assets at FVOCI represent the credit risk exposure as of the reporting date but not the maximum risk exposure that could arise in the future as a result of changes in fair value of the said instruments.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions - cash or securities
- For consumer lending - real estate and chattel over vehicle
- For corporate and commercial lending - real estate, chattel over properties, assignment of deposits, shares of stocks, bonds, and guarantees

Foreclosed collateral

The Bank's policy is to determine whether a foreclosed collateral is best used for its internal operations or should be sold. Foreclosed collaterals that pertain to real estate properties are accounted for as investment properties.



Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The Bank collateral comes in various forms such as cash, securities, letter of credits/guarantees, real estate, receivables and other non-financial assets and credit enhancements. The fair value of collateral is generally assessed, at a minimum, at inception. To the extent possible, the Bank use active market data for valuing financial assets held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate and chattel, is valued based on data provided by internal appraiser and third parties such as independent appraisers.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment and credit losses.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In most cases, the Bank does not occupy repossessed properties for business use. Collaterals (i.e., NCAHS and ROPA) foreclosed in 2024 and 2023 that are still held by the Bank as of December 31, 2024 and 2023 amounted to ₱1.10 billion and ₱757.13 million, respectively. These collaterals consist of real properties and vehicles.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using the BSP guidelines in identifying and monitoring problematic loans and other risk assets particularly Appendix 15 of the Manual of Regulations for Banks.

For corporate and commercial loans, including SME loans with approved credits of ₱10.00 million and above, the Bank adopts an internal credit risk rating system (ICRRS) for the purpose of measuring credit risk in a consistent manner as accurately as possible. For corporate and commercial, SME loans with approved credits below ₱10.00 million, including SmallBiz accounts, these are covered by borrower credit scoring (BCS). For consumer/retail auto and housing loans, these are covered by application scorecards which provide either a pass/fail score based on cut-off score rank.

It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly. The standard credit rating equivalent grades are relevant only for certain of the exposures in each risk rating class.

The rating categories are further described below.

Loans and receivable

High Grade

This includes all borrowers whose ratings are considered as Low Risk and/or those where the exposures are fully covered by Government Guarantee or cash collateral/deposit hold-out. Thus, these borrowers have a very low probability of going into default in the coming year.



In terms of borrower credit ratings, these include the following:

Unclassified

A. ICRRS - Covered

- Excellent (BRR AAA-equivalent grade)
- Strong (BRR AA-equivalent grade)
- Good (BRR A-equivalent grade)
- Satisfactory (BRR BBB-equivalent grade)

'BBB' or higher grades are considered as Low Risk similar to risk profile of investment-grades rated by international credit rating agencies (Standard and Poor's, Moody's or Fitch)

B. Application Scorecard-Covered (for consumer/retail loans)

- Score ranks 1-4 (pass/within cut-off score of "7" qualified for system approval) for retail auto and housing loans provided current/unclassified status as of reporting date.

Generally, a Low Risk (High Grade) rating is indicative of a high capacity to fulfill its obligations supported by robust financials (i.e., profitable, with returns considerably higher than the industry, elevated capacities to service its liabilities), gainful positioning in growing industries (i.e., participation in industries where conditions are very favorable and in which they are able to get a good share of the market), and very strong leadership providing clear strategic direction and/or excellent training and development programs.

Standard Grade

This includes all borrowers whose ratings are considered as Moderate Risk and are seen to withstand typical swings in the economic cycle without going into default. However, any prolonged unfavorable economic period would create deterioration that may already be beyond acceptable levels. Standard grade may also include matured loans subject to renewal.

In terms of borrower credit ratings, these include the following:

Unclassified

A. ICRRS - Covered

- Acceptable (BRR BB-equivalent grade)
- Watchlist (BRR B-equivalent grade)- these accounts remain unclassified but require closer monitoring for any signs of further deterioration, warranting adverse classification

B. Application Scorecard-Covered (for consumer/retail loans)

- Score ranks 5-7 (pass/within cut-off score of "7") for retail auto and housing loans provided current/unclassified status as of reporting date.

For unsecured consumer/retail loan products, i.e., Automatic Payroll Deduction (APD) loans, personal and salary loans, and other employee loans as well as corporate and commercial, SME loans with approved credits below ₱10.00 million, including SmallBiz accounts that are covered by BCS, the basis for credit quality rating is the BSP classification for those that are booked as Current (i.e., Standard Grade if Unclassified and Sub-Standard Grade if Classified as either Especially Mentioned or Substandard) and impairment status for those that are booked as Past Due / Items in Litigation.

Generally, a Moderate Risk (Standard Grade) rating signifies a borrower whose financial performance is sufficient to service obligations and is at par with competitors in the industry. In terms of management, it is run by executives with adequate personal and professional qualifications and



sufficient experience in similar companies. In terms of growth potential, it is engaged in an industry with stable outlook, supportive of continuing operations.

Substandard Grade

Adversely Classified accounts are automatically considered as high-risk and generally includes past due accounts. However, in some cases, even accounts that are neither past due nor impaired, qualifies for adverse classification as either Especially Mentioned or Substandard. Those accounts have the tendency to turn past due or non-performing. Reasons for this include among others the following: consecutive net losses, emerging weaknesses in terms of cash flow, negative equity, and/or breach in the covenants per term loan agreement.

In terms of borrower credit ratings, these include the following:

Adversely Classified

A. ICRRS - Covered

- Especially Mentioned (or BRR CCC-equivalent grade)
- Substandard (or BRR CC-equivalent grade)

B. BCS-Covered

- Corporate and commercial, SME loans with approved credits below Php 10 million, including SmallBiz accounts that are covered by BCS, which are neither past due nor impaired but classified as either Especially Mentioned or Substandard as of reporting date.

Past due but not impaired

Loans that are more than 30 days past due but do not demonstrate objective evidence of impairment as of reporting date.

In terms of borrower credit ratings, these include the following:

Adversely Classified

A. ICRRS-Covered

- Especially Mentioned (or BRR CCC-equivalent grade)
- Substandard (or BRR CC-equivalent grade)

B. BCS-Covered and Consumer/retail Loans

- Especially Mentioned
- Substandard

Impaired

Loans considered in default (more than 90 days past due) or demonstrate objective evidence of impairment as of reporting date. Loans with classification of doubtful and loss are included under past-due or individually impaired. Impaired accounts also include those booked as Items in Litigation.

In terms of borrower credit ratings, these include the following:

Adversely Classified

A. ICRRS-Covered

- Substandard (or BRR CC equivalent-grade)
- Doubtful (or BRR C equivalent-grade)
- Loss (or BBR D equivalent-grade)



B. BCS-Covered and Consumer/retail Loans

- Substandard
- Doubtful
- Loss

The financial assets are also grouped according to stage whose description is explained as follows:

Stage 1 - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The following tables illustrate the Bank's credit exposures.

Loans and receivables

	2024			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Consumer lending	12-month ECL	Lifetime ECL	Lifetime ECL	Total
High grade	₱31,884,184,635	₱–	₱–	₱31,884,184,635
Standard grade	83,356,623,615	–	–	83,356,623,615
Substandard grade	–	–	–	–
Past due but not impaired	–	2,551,218,663	–	2,551,218,663
Past due and impaired	–	–	2,690,755,844	2,690,755,844
Gross carrying amount	₱115,240,808,250	₱2,551,218,663	₱2,690,755,844	₱120,482,782,757

Corporate and commercial lending	2024			Total
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
High grade	₱980,978,645	₱–	₱–	₱980,978,645
Standard grade	10,620,829,017	–	–	10,620,829,017
Substandard grade	–	1,070,329,370	757,709,544	1,828,038,914
Past due but not impaired	–	306,357,909	38,836,081	345,193,990
Past due and impaired	–	–	1,188,194,369	1,188,194,369
Gross carrying amount	₱11,601,807,662	₱1,376,687,279	₱1,984,739,994	₱14,963,234,935

	2024			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Others				
High grade	₱—	₱—	₱—	₱—
Standard grade	9,334,552	—	—	9,334,552
Substandard grade	—	—	—	—
Past due but not impaired	—	—	—	—
Past due and impaired	—	—	3,093,637	3,093,637
Gross carrying amount	₱9,334,552	₱—	₱3,093,637	₱12,428,189



	2024			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Unquoted debt securities	12-month ECL	Lifetime ECL	Lifetime ECL	Total
High grade	₪–	₪–	₪–	₪–
Standard grade	–	–	–	–
Substandard grade	–	–	–	–
Past due but not impaired	–	–	–	–
Past due and impaired	–	–	151,836,309	151,836,309
Gross carrying amount	₪–	₪–	₪151,836,309	₪151,836,309

	2024			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Sales contract receivable	12-month ECL	Lifetime ECL	Lifetime ECL	Total
High grade	P–	P–	P–	P–
Standard grade	1,196,527,341	–	–	1,196,527,341
Substandard grade	–	–	–	–
Past due but not impaired	–	–	–	–
Past due and impaired	–	–	256,225,039	256,225,039
Gross carrying amount	P1,196,527,341	P–	P256,225,039	P1,452,752,380

Other financial assets

	2024			
	ECL Staging			
Accounts receivable and	Stage 1	Stage 2	Stage 3	
accrued interest receivable	12-month ECL	Lifetime ECL	Lifetime ECL	Total
High grade	₱230,519,044	₱–	₱–	₱230,519,044
Standard grade	1,721,604,137	160,853,158	–	1,882,457,295
Substandard grade	–	26,540,716	–	26,540,716
Past due but not impaired	–	70,858,682	–	70,858,682
Past due and impaired	–	–	1,003,060,901	1,003,060,901
Gross carrying amount	₱1,952,123,181	₱258,252,556	₱1,003,060,901	₱3,213,436,638

Loans and receivables

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Consumer lending				
High grade	₱18,278,043,049	₱–	₱–	₱18,278,043,049
Standard grade	74,502,266,956	–	–	74,502,266,956
Substandard grade	–	–	–	–
Past due but not impaired	–	2,545,404,831	–	2,545,404,831
Past due and impaired	–	–	2,083,400,734	2,083,400,734
Gross carrying amount	₱92,780,310,005	₱2,545,404,831	₱2,083,400,734	₱97,409,115,570

Corporate and commercial lending	2023			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
High grade	₱1,394,366,710	₱–	₱–	₱1,394,366,710
Standard grade	7,116,735,446	–	–	7,116,735,446
Substandard grade	–	2,819,223,583	–	2,819,223,583
Past due but not impaired	–	585,053,853	–	585,053,853
Past due and impaired	–	–	2,683,638,183	2,683,638,183
Gross carrying amount	₱8,511,102,156	₱3,404,277,436	₱2,683,638,183	₱14,599,017,775



	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Others				
High grade	₱—	₱—	₱—	₱—
Standard grade	7,277,079	—	—	7,277,079
Substandard grade	—	—	—	—
Past due but not impaired	—	—	—	—
Past due and impaired	—	—	3,111,889	3,111,889
Gross carrying amount	₱7,277,079	₱—	₱3,111,889	₱10,388,968

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Unquoted debt securities	12-month ECL	Lifetime ECL	Lifetime ECL	Total
High grade	P=	P=	P=	P=
Standard grade	—	—	—	—
Substandard grade	—	—	—	—
Past due but not impaired	—	—	—	—
Past due and impaired	—	—	151,836,309	151,836,309
Gross carrying amount	P=	P=	P151,836,309	P151,836,309

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Sales contract receivable	12-month ECL	Lifetime ECL	Lifetime ECL	Total
High grade	₱—	₱—	₱—	₱—
Standard grade	1,269,601,658	—	—	1,269,601,658
Substandard grade	—	—	—	—
Past due but not impaired	—	—	—	—
Past due and impaired	—	—	190,592,134	190,592,134
Gross carrying amount	₱1,269,601,658	₱—	₱190,592,134	₱1,460,193,792

Other financial assets

	2023			
	ECL Staging			
Accounts receivable and	Stage 1	Stage 2	Stage 3	
accrued interest receivable	12-month ECL	Lifetime ECL	Lifetime ECL	Total
High grade	₱136,360,941	₱–	₱–	₱136,360,941
Standard grade	1,527,365,218	126,758,000	–	1,654,123,218
Substandard grade	–	73,972,298	–	73,972,298
Past due but not impaired	–	82,138,652	–	82,138,652
Past due and impaired	–	–	878,889,314	878,889,314
Gross carrying amount	₱1,663,726,159	₱282,868,950	₱878,889,314	₱2,825,484,423

Depository accounts with the BSP and counterparty banks and investment securities

For these financial assets, outstanding exposure is rated primarily based on external risk rating (i.e., Standard and Poor's (S&P), otherwise, rating is based on risk grades by a local rating agency or included under "Unrated", when the counterparty has no available risk grade).



The external risk rating of the Bank's depository accounts with the BSP and counterparty banks and investment securities, is grouped as follows:

Credit Quality Rating	External Credit Risk Rating	Credit Rating Agency
High grade	AAA, AA+, AA, AA-	S&P
	Aaa, Aa1, Aa2, Aa3	Moody's
	AAA, AA+, AA, AA-	Fitch
Standard grade	A+, A, A-, BBB+, BBB, BBB-	S&P
	A1, A2, A3, Baa1, Baa2, Baa3	Moody's
	A+, A, A-, BBB+, BBB, BBB-	Fitch
Substandard grade	BB+, BB, BB-, B/B+, CCC, R, SD & D	S&P
	Ba1, Ba2, Ba3, B1, B2, R, SD & D	Moody's
	BB+, BB, BB-, B/B+, CCC, R, SD & D	Fitch

Following is the credit rating scale applicable for foreign banks, and government securities (aligned with S&P ratings):

AAA - An obligor has extremely strong capacity to meet its financial commitments.

AA - An obligor has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors at a minimal degree.

A - An obligor has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

BBB and below:

BBB - An obligor has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

BB - An obligor is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.

B - An obligor is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.

CCC - An obligor is currently vulnerable and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitments.

CC - An obligor is currently vulnerable. The rating is used when a default has not yet occurred, but expects default to be a virtual certainty, regardless of the anticipated time to default.

R - An obligor is under regulatory supervision owing to its financial condition. During the pendency of the regulatory supervision, the regulators may have the power to favor one class of obligations over others or pay some obligations and not others.



SD and D - An obligor is in default on one or more of its financial obligations including rated and unrated financial obligations but excluding hybrid instruments classified as regulatory capital or in non-payment according to terms.

In case of PHP-denominated securities which are not rated by S&P, Moody's or Fitch, but have an external ratings by Philratings, the following groupings were applied.

Credit Quality Rating	External Credit Risk Rating
High grade	PRSAaa, PRSAa+, PRSAa, PRSAa-
Standard grade	PRSA+, PRSA, PRSA-, PRSBaa+, PRSBaa, PRSBaa-
Substandard grade	PRSBa+, PRSBa, PRSBa-, PRSB+, PRSB, PRSB-, PRSCaa+, PRSCaa, PRSCaa-, PRSCa+, PRSCa, PRSCa-, PRSC+, PRSC, PRSC-

PRSAaa - The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

PRSAa - The obligor's capacity to meet its financial commitment on the obligation is very strong.

PRSA - With favorable investment attributes and are considered as upper-medium grade obligations. Although obligations rated 'PRSA' are somewhat more susceptible to the adverse effects of changes in economic conditions, the obligor's capacity to meet its financial commitments on the obligation is still strong.

PRSBaa - An obligation rated 'PRSBaa' exhibits adequate protection parameters. However, adverse economic conditions and changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. PRSBaa-rated issues may possess certain speculative characteristics.

PRSBa - An obligation rated 'PRSBa' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties relating to business, financial or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

PRSB - An obligation rated 'PRSB' is more vulnerable to nonpayment than obligations rated 'PRSBa', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse economic conditions will likely impair the obligor's capacity to meet its financial commitment on the obligation. The issue is characterized by high credit risk.

PRSCaa - An obligation rated 'PRSCaa' is presently vulnerable to nonpayment and is dependent upon favorable business, financial and economic conditions for the obligor to meet its financial commitments on the obligation. In the event of adverse economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation. The issue is considered to be of poor standing and is subject to very high credit risk.

PRSCa - An obligation rated "PRSCa" is presently highly vulnerable to nonpayment. Likely already in or very near default with some prospect for partial recovery of principal or interest.

PRSC - An obligation is already in default with very little prospect for any recovery of principal or interest.



The succeeding tables show the credit exposure of the Bank related to these financial assets.

	2024			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Financial assets at FVOCI - debt	12-month ECL	Lifetime ECL	Lifetime ECL	Total
High grade	₱11,982,700,787	₱—	₱—	₱11,982,700,787

Investment securities at amortized cost	2024			Total
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
High grade	₱6,839,559,119	₱—	₱—	₱6,839,559,119

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Financial assets at FVOCI – debt	12-month ECL	Lifetime ECL	Lifetime ECL	Total
High grade	₱12,379,155,364	₱–	₱–	₱12,379,155,364

Investment securities at amortized cost	2023				Total
	ECL Staging				
	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL	Lifetime ECL		
High grade	₱6,269,609,894	₱—	₱—	₱6,269,609,894	

	2024				Total
	High Grade	Standard Grade	Substandard Grade	Unrated	
Due from BSP	₱21,391,651,836	₱–	₱–	₱–	₱21,391,651,836
Due from other banks	2,336,776,991	–	–	–	2,336,776,991
	₱23,728,428,827	₱–	₱–	₱–	₱23,728,428,827

	2023				Total
	High Grade	Standard Grade	Substandard Grade	Unrated	
Due from BSP	₱11,300,316,184	₱–	₱–	₱–	₱11,300,316,184
Due from other banks	2,201,708,374	–	–	–	2,201,708,374
SPURA	3,644,595,747	–	–	–	3,644,595,747
	₱17,146,620,305	₱–	₱–	₱–	₱17,146,620,305

Impairment assessment

The Bank measures a credit loss allowance on a financial asset based on whether it has had a significant increase in credit risk since initial recognition. Accordingly, the Bank categorizes its financial assets into three categories:

- Stage 1 - financial asset that has not had a significant increase in credit risk;
- Stage 2 - financial asset that has had a significant increase in credit risk; and
- Stage 3 - financial asset in default.

The Bank uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.



The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors such as downgrade in the credit rating of the borrowers and a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. For exposures without internal credit grades, if contractual payments are more than a specified days past due threshold (i.e., 30 days), the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Bank shall revert to recognizing a 12-month ECL.

Default and Cure

As a part of a qualitative assessment of whether a customer is in default, the Bank considers a variety of instances that may indicate unlikelihood to pay. The Bank's definition of default is aligned with the non-performing loan criteria as prescribed in BSP Circular No. 941. Defaults refer to loans, investments, receivables, or any financial asset, even without missed contractual payments, that satisfy any of the following conditions (1) impaired under existing accounting standards, (2) classified as doubtful or loss, (3) in litigation, (4) 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 (5) unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement. (6) Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due. (7) Restructured loans shall be considered nonperforming. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Defaults are characterized by financial assets that have objective evidence of impairment at the reporting date and as such classified under Stage 3 ECL treatment.

An instrument is considered to be no longer in default, i.e., to have cured, when it no longer meets any of the default criteria above and there is sufficient evidence to support full collection through payments received for at least 6 months. Cured accounts are classified under Stage 1 ECL treatment.

Restructuring

In certain circumstances, the Bank modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, changes in maturity date, principal amount from capitalization of accrued interest, terms and conditions from conversion/consolidation or interest rates/repricing cycle that results in an extension in the loan maturity. Distressed restructuring with indications of unlikelihood to pay are categorized as impaired accounts and are initially moved to Stage 3.

The Bank implements a curing policy for restructured accounts compliant with the BSP Circular No. 1011. Restructured accounts that have exhibited improvements in creditworthiness may be moved from Stage 3 after a total of one-year probation period. These accounts are transferred to Stage 2 after six months of full payments and consequently transferred to Stage 1 after making the next six months full payments.



In view of the government moratorium on loan payments, the Bank considered how the availment of the borrowers and counterparties will affect the stage classification of the financial assets. In particular, the Bank assessed how the availment of the mandatory grace period, together with other relevant information about the borrower (e.g., impact of the pandemic to its industry and operations, potential cash flow pressures affecting the borrower's capacity to pay amounts becoming due), will affect SICR and default assessments. Based on these assessments, in the absence of indicators of impairment or SICR since initial recognition, exposures to borrowers and counterparties who availed of the mandatory grace period as provided for by law are classified as Stage 1.

The Bank then measures the credit loss allowance on a financial instrument at an amount equal to 12-month expected credit losses for items categorized as Stage 1 and lifetime credit losses to items categorized as Stage 2 and Stage 3.

The Bank modeled the following inputs to the expected credit loss formula separately. The formula is applied to each financial asset, with certain exceptions wherein a collective or other general approach is applied:

Exposure at Default (EAD)

The Bank defines EAD as the principal and interests that would not be collected assuming the borrower's defaults during a future point in time. The Bank computes for a financial asset's EAD using the expected contractual cash flows during the contractual life of the financial instrument. A financial asset's EAD is defined as the sum of EAD from principal and EAD from interest.

In relation to the modification of loans and receivables (see Note 8), the Bank utilized the revised or modified cash flows of financial assets as EAD in calculating allowance for credit losses.

Probability of default (PD)

The Bank uses forward-looking PD estimates that are unbiased and probability-weighted using a range of possible outcomes. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Bank segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio. The Bank's PDs are mainly categorized into the following: (a) corporate and commercial loans; (b) small and medium-size enterprise financing; (c) auto and housing loans; and (d) personal and consumption loans.

The PDs used in calculating allowance for credit losses have been updated with information after considering the impact of the pandemic to current market conditions as well as expectations about future economic conditions (i.e., forward-looking information).

Loss given default (LGD)

The Bank's LGD model considers certain factors such as the historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. Generally, the model utilizes the Bank's existing loan exposure rating system which is designed to capture these factors as well as the characteristics of collaterals related to an exposure. In cases wherein this does not apply, the Bank looks into the standard characteristics of collaterals (e.g., auto and housing loans) in order to estimate an LGD factor.



Starting 2020, the Bank has considered current and forward-looking information related to the COVID-19 pandemic in assessing the aforementioned factors – i.e., significant increase in credit risk, default, EAD, PD, and LGD. The Group will continue to assess the impact of the pandemic and the ongoing economic recovery in measuring ECL in the upcoming reporting periods.

Economic Overlays

The Bank's incorporates economic overlays into the measurement of ECL to add a forward-looking risk measure parallel to the expected future macroeconomic atmosphere. A broad range of economic indicators were considered for the economic inputs. 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 address this, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. The Bank's loans and receivables consist of different portfolios, such as corporate and commercial loans and consumer loans, as well as other receivables (e.g., sales contract receivables). In compliance with PFRS 9, the Bank developed ECL parameters and methodologies for each portfolio, using historical data as well as forward-looking inputs and assumptions.

The Bank will continue to assess the current market conditions and forecasts of future economic conditions, and its impact to the aforementioned items, in order to update the ECL on a timely basis in the upcoming reporting periods, as the country continues to deal with this public health crisis.

Credit Review

In accordance with BSP Circular No. 855, credit reviews are conducted on loan accounts to evaluate whether loans are granted in accordance with the Bank's policies, to assess loan quality and appropriateness of classification and adequacy of loan loss provisioning. Results of credit reviews are promptly reported to management to apprise them of any significant findings for proper corrective actions.

Market Risk

Market risk is the risk of loss that may result from changes in the price of a financial product. The value of a financial product may change as a result of changes in interest rates, foreign exchange rates, equity prices and other market changes. The Bank's market risk originates from its holdings of foreign exchange instruments, debt securities, equity securities, and loans and receivables.

a. Interest rate risk

The Bank's interest rate risk originates from its holdings of interest rate sensitive assets and interest rate sensitive liabilities. The Bank follows prudent policies in managing its exposures to interest rate fluctuations and constantly monitors its assets and liabilities.

The table below presents the interest rate sensitive loans' composition as to maturity as of December 31, 2024 and 2023:

	2024	2023
Long-term retail loans with monthly amortization	89.44%	88.19%
Commercial loans with monthly or quarterly amortization	6.09%	5.88%
Commercial loans payable at maturity (mostly maturing for less than 6 months)	4.47%	5.93%
	100.00%	100.00%



The table below represents the percentage of interest-bearing demand, savings and time deposit accounts over total deposit liabilities as of December 31, 2024 and 2023:

	2024	2023
Demand	16.60%	18.87%
Savings	13.20%	15.36%
Time	70.20%	65.77%
	100.00%	100.00%

Interest rates on savings accounts are set by reference to prevailing market rates, while interest rates on time deposits and special savings accounts are usually priced by reference to prevailing rates of short-term government bonds and other money market instruments or, in the case of foreign currency deposits, inter-bank deposit rates and other benchmark deposit rates in international money markets with similar maturities.

The Bank is likewise exposed to fair value interest rate risk due to its holdings of fixed rate government bonds as part of its financial assets at FVOCI portfolio. Market values of these investments are sensitive to fluctuations in interest rates.

The repricing gap analysis method is used by the Bank to measure the sensitivity of its assets and liabilities to interest rate fluctuations. This analysis measures the Bank's susceptibility to changes in interest rates. The repricing gap is calculated by first distributing the assets and liabilities contained in the Bank's statement of financial position into tenor buckets according to the time remaining to the next repricing date (or the time remaining to maturity if there is no repricing), and then obtaining the difference between the total of the repricing (interest rate sensitive) assets and the total of repricing (interest rate sensitive) liabilities.

A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

Accordingly, during a period of rising interest rates, a bank with a positive gap would be in a position to invest in higher yielding assets earlier than it would need to refinance its interest rate sensitive liabilities. During a period of falling interest rates, a bank with a positive gap would tend to see its interest rate sensitive assets repricing earlier than its interest rate sensitive liabilities, restraining the growth of its net income or resulting in a decline in net interest income.

The following table sets forth the repricing gap position of the Bank as of December 31, 2024 and 2023, (in millions):

	December 31, 2024					
	Up to 1 Month	>1 to 3 Months	>3 to 6 Months	>6 to 12 Months	>12 Months	Total
Financial Assets						
Loans and receivables	₱7,363	₱15,827	₱21,172	₱40,743	₱46,810	₱131,915
Investment securities	1,000	58	1,019	4,475	12,119	18,671
Total financial assets	8,363	15,885	22,191	45,218	58,929	150,586
Financial Liabilities						
Deposit liabilities	53,309	42,736	8,481	2,440	59,826	166,792
Repricing gap	(₱44,946)	(₱26,851)	₱13,710	₱42,778	(₱897)	(₱16,206)



	December 31, 2023					Total
	Up to 1 Month	>1 to 3 Months	>3 to 6 Months	>6 to 12 Months	>12 Months	
Financial Assets						
Loans and receivables	₱4,765	₱9,166	₱11,664	₱22,257	₱60,920	₱108,772
Investment securities	6,253	2,934	—	188	9,200	18,575
Total financial assets	11,018	12,100	11,664	22,445	70,120	127,347
Financial Liabilities						
Deposit liabilities	47,083	24,084	6,391	4,503	55,594	137,655
Repricing gap	(₱36,065)	(₱11,984)	₱5,273	₱17,942	₱14,526	(₱10,308)

The Bank also monitors its exposure to fluctuations in interest rates by using scenario analysis to estimate the impact of interest rate movements on its net interest income. This is done by modeling the impact to the Bank's interest income and interest expenses of different parallel changes in the interest rate curve, assuming the parallel change only occurs once and the interest rate curve after the parallel change does not change again for the next twelve months.

The following table sets forth the estimated change in the Bank's annualized net interest income due to a parallel change in the interest rate curve as of December 31, 2024 and 2023 (amounts in thousands):

	December 31, 2024			
	Change in interest rates (in basis points)			
	100bp rise	50bp rise	50bp fall	100bp fall
Change in annualized net interest income	(₱257,214)	(₱128,607)	₱128,607	₱257,214
As a percentage of the Bank's net interest income as reported to the BSP	(3.13%)	(1.57%)	1.57%	3.13%
	December 31, 2023			
	Change in interest rates (in basis points)			
	100bp rise	50bp rise	50bp fall	100bp fall
Change in annualized net interest income	(₱244,717)	(₱122,358)	₱122,358	₱244,717
As a percentage of the Bank's net interest income as reported to the BSP	(3.45%)	(1.72%)	1.72%	3.45%

The following tables set forth the estimated change in the Bank's income before tax and equity due to a reasonably possible change in the market prices of fixed-rate investment securities classified under financial assets at FVPL and financial assets at FVOCI, respectively, brought about by movement in the interest rate curve as December 31, 2024 and 2023 (amounts in thousands):

	December 31, 2024			
	Change in interest rates (in basis points)			
	25bp rise	10bp rise	10bp fall	25bp fall
Change in income before tax	(₱912)	(₱366)	₱368	₱922
Change in equity	(₱69,215)	(₱27,808)	₱27,801	₱69,812
Total impact on net assets	(₱70,128)	(₱28,175)	₱28,169	₱70,734



December 31, 2023				
	Change in interest rates (in basis points)			
	25bp rise	10bp rise	10bp fall	25bp fall
Change in income before tax	(P742)	(P391)	P82	P440
Change in equity	(P36,223)	(P13,876)	P16,174	P38,903
Total impact on net assets	(P36,965)	(P14,267)	P16,256	P39,343

b. Foreign currency risk

The Bank's foreign exchange risk originates from its holdings of foreign currency-denominated assets and liabilities (foreign exchange assets and liabilities). Foreign currency risk is the risk to earnings or capital arising from changes in the foreign exchange rates.

The Bank's policy is to maintain foreign currency exposure within existing regulations, and within acceptable risk limits. The Bank believes in ensuring its foreign currency is at all times within limits prescribed for financial institutions who are engaged in the same types of businesses in which the Bank is engaged.

The monetary assets and liabilities carried in the RBU and FCDU books are all denominated in their respective functional currencies, except for small non-recurring other monetary items. Thus, foreign currency risk is minimal.

Liquidity Risk and Funding Management

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when they become due without incurring unacceptable losses or costs.

The Bank's management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Bank's business operations or unanticipated events created by customer behavior or capital market conditions. The Bank seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, and the securing of money market lines and the maintenance of repurchase facilities to address any unexpected liquidity situations.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow report, as well as an analysis of available liquid assets. Instead of relying solely on contractual maturities profile, the Parent Company uses Behavioral MCO to capture a going concern view. Furthermore, monthly internal liquidity ratio and monitoring of large fund providers have been set to determine sufficiency of liquid assets over deposit liabilities.

Liquidity is managed by the Bank on a daily basis, while scenario stress tests and sensitivity analysis are conducted periodically. The Bank started monitoring and reporting to the BSP the Liquidity Coverage Ratio and the Net Stable Funding Ratio in 2018.



The tables below show the maturity profile of the Bank's financial assets and financial liabilities, based on contractual undiscounted cash flows:

	December 31, 2024			
	On demand	Within 1 year	Over 1 year	Total
Financial Assets				
Cash and cash equivalents				
Cash and other cash items	₱3,401,452,438	₱—	₱—	₱3,401,452,438
Due from BSP	21,391,651,836	—	—	21,391,651,836
Due from other banks	2,336,776,991	—	—	2,336,776,991
SPURA	—	—	—	—
Financial assets at FVPL based on expected disposal dates	—	121,282,031	—	121,282,031
Financial assets at FVOCI based on expected disposal dates	—	4,340,847,715	9,548,277,840	13,889,125,555
Investment securities at amortized cost	—	3,043,716,770	4,726,319,276	7,770,036,046
Loans and receivables	—	20,465,471,053	183,071,801,516	203,537,272,569
Other assets				
Accounts receivable	—	1,614,748,378	—	1,614,748,378
Accrued interest receivable	—	1,598,688,260	—	1,598,688,260
Advance rental deposits	—	99,451,839	—	99,451,839
Returned checks and other cash items	40,585,297	—	—	40,585,297
Other equity investments	—	—	21,792,208	21,792,208
Total financial assets	₱27,170,466,562	₱31,284,206,046	₱197,368,190,840	₱255,822,863,448

Financial Liabilities				
Deposit liabilities				
Demand	₱27,679,939,125	₱—	₱—	₱27,679,939,125
Savings	22,024,151,961	—	—	22,024,151,961
Time	—	112,594,507,125	11,391,347,342	123,985,854,467
Manager's checks	203,678,931	—	—	203,678,931
Accrued interest and other expenses	—	1,232,254,903	—	1,232,254,903
Other liabilities				
Accounts payable	—	1,993,888,858	—	1,993,888,858
Lease liabilities	—	17,735,275	889,821,867	907,557,142
Other credits - dormant	—	—	16,379,962	16,379,962
Security deposit	—	—	12,193,405	12,193,405
Bills purchased	—	—	—	—
Total financial liabilities	₱49,907,770,017	₱115,838,386,161	₱12,309,742,576	₱178,055,898,754

	December 31, 2023			
	On demand	Within 1 year	Over 1 year	Total
Financial Assets				
Cash and cash equivalents				
Cash and other cash items	₱2,854,548,942	₱—	₱—	₱2,854,548,942
Due from BSP	11,300,316,184	—	—	11,300,316,184
Due from other banks	2,201,708,374	—	—	2,201,708,374
SPURA	—	3,644,595,747	—	3,644,595,747
Financial assets at FVPL based on expected disposal dates	—	64,911,187	—	64,911,187
Financial assets at FVOCI based on expected disposal dates	—	9,022,196,293	4,255,678,960	13,277,875,253
Investment securities at amortized cost	—	803,751,811	6,254,480,210	7,058,232,021
Loans and receivables	—	18,499,772,318	149,723,294,086	168,223,066,404
Other assets				
Accounts receivable	—	1,413,902,802	—	1,413,902,802
Accrued interest receivable	—	1,411,581,621	—	1,411,581,621
Advance rental deposits	—	89,142,725	—	89,142,725
Returned checks and other cash items	215,462,400	—	—	215,462,400
Other equity investments	—	—	21,792,208	21,792,208
Total financial assets	₱16,572,035,900	₱34,949,854,504	₱160,255,245,464	₱211,777,135,868

(Forward)



	December 31, 2023			Total
	On demand	Within 1 year	Over 1 year	
Financial Liabilities				
Deposit liabilities				
Demand	₱25,981,327,810	₱—	₱—	₱25,981,327,810
Savings	21,138,613,497	—	—	21,138,613,497
Time	—	86,310,565,374	9,378,388,834	95,688,954,208
Manager's checks	689,698,725	—	—	689,698,725
Accrued interest and other expenses	—	1,021,694,150	—	1,021,694,150
Other liabilities				
Accounts payable	—	1,393,565,188	—	1,393,565,188
Lease liabilities	—	7,870,955	885,795,415	893,666,370
Other credits - dormant	—	—	39,894,632	39,894,632
Security deposit	—	—	12,177,616	12,177,616
Bills purchased	—	51,866	—	51,866
Total financial liabilities	₱47,809,640,032	₱88,733,747,533	₱10,316,256,497	₱146,859,644,062

6. Cash and Cash Equivalents

	2024	2023
Cash and other cash items	₱3,401,452,438	₱2,854,548,942
Due from BSP (Note 15)	21,391,651,836	11,300,316,184
Due from other banks (Notes 23)	2,336,776,991	2,201,708,374
SPURA (Note 26)	—	3,644,595,747
	₱27,129,881,265	₱20,001,169,247

Due from BSP

Due from BSP represents the Bank's placements in the term deposit facilities (TDF) of the BSP that have original maturities of seven (7) and fourteen (14) days and the demand deposits maintained by the Bank in compliance with the BSP's reserve requirement (Note 15).

As of December 31, 2024 and 2023, the Bank's demand deposits with the BSP amounted to ₱1.61 billion and ₱2.23 billion, respectively. TDF deposit accounts earn annual interest rates ranging from 5.74% to 6.01% in 2024, from 6.24% to 6.68% in 2023 and from 1.65% to 6.34% in 2022.

Due from other banks

Due from other banks represent savings and demand deposits. USD-denominated deposits amounted to USD8.32 million (₱481.07 million) and USD13.72 million (₱759.42 million) as of December 31, 2024 and 2023, respectively.

Peso-denominated deposits earn interest at annual rates ranging from 0.05% to 0.40% in 2024 and 2023 and from 0.05% to 0.13% in 2022. USD-denominated deposits earn interest at annual rates ranging from 0.05% to 5.23% in 2024 and 2023 and 0.05% to 4.00% in 2022.

SPURA

Deposits in reverse repurchase facility, classified as SPURA, earn interest at annual rates ranging from 5.73% to 6.54% in 2024, from 5.00% to 6.39% in 2023 and 2.00% to 5.50% in 2022 with tenor ranging from one (1) to six (6) days.



7. Trading and Investment Securities

Financial Assets at FVPL

As of December 31, 2024 and 2023, financial assets at FVPL pertain to the peso-denominated government securities of the Bank and include fair value loss of ₱1.93 million and fair value gain of ₱0.37 million, respectively. Effective interest rate is 4.47% in 2024 and 4.97% in 2023.

Financial Assets at FVOCI

This account consists of:

	2024	2023
Quoted government debt securities	₱11,982,700,787	₱12,379,155,364
Equity securities		
Quoted equity securities	37,715,576	24,515,275
Unquoted equity securities	7,983,596	8,188,816
	45,699,172	32,704,091
Total	₱12,028,399,959	₱12,411,859,455

Unquoted equity securities

This account comprises of shares of stocks of various unlisted private corporations. The Bank has designated these equity securities as at FVOCI because they are not intended to be sold in the foreseeable future.

Net unrealized losses

The movements in net unrealized losses on FVOCI of the Bank follows:

	2024	2023
Balance at the beginning of the year	(₱70,830,608)	(₱160,439,115)
Movements in fair value during the year	(21,549,344)	71,053,463
Expected credit losses	(1,147,012)	18,555,044
Balance at the end of the year	(₱93,526,964)	(₱70,830,608)

Effective interest rates for peso-denominated debt financial assets at FVOCI range from 2.00% to 6.07% in 2024, from 1.65% to 6.77% in 2023 and from 1.47% to 2.13% in 2022.

Effective interest rates for foreign currency-denominated debt financial assets at FVOCI range from 1.37% to 7.02% in 2024, 2023 and 2022.

Trading and securities gains - net

Trading and securities gains - net of the Bank amounted to ₱20.36 million in 2024, ₱0.37 million in 2023 and nil 2022, respectively.



Investment Securities at Amortized Cost

This account consists of:

	2024	2023
Quoted		
Government debt securities (Note 23)	₱6,563,759,119	₱5,775,809,894
Private debt securities	275,800,000	493,800,000
	6,839,559,119	6,269,609,894
Allowance for credit losses (Note 14)	(12,238,068)	(10,829,186)
	₱6,827,321,051	₱6,258,780,708

Peso-denominated government securities and private bonds have effective interest rate ranging from 2.91% to 5.50% in 2024, from 2.86% to 5.50% in 2023 and from 2.60% to 5.50% in 2022, with maturities ranging from 1 to 8 years in 2024 and 2023 and from 1 to 9 years in 2022.

USD-denominated government securities and private bonds have effective interest rate ranging from 1.36% to 3.01% in 2024, 2023 and 2022, with maturities ranging from 1 to 10 years in 2024, from 1 to 11 years in 2023 and from 1 to 12 years in 2022.

Interest Income on Trading and Investment Securities

Interest income on trading and investment securities follows:

	2024	2023	2022
Investment securities at amortized cost	₱284,271,734	₱281,589,118	₱224,325,861
Financial assets at FVOCI	1,001,339,366	190,042,318	48,742,713
Financial assets at FVPL	3,691,493	1,363,194	—
	₱1,289,302,593	₱472,994,630	₱273,068,574

8. Loans and Receivables

This account consists of:

	2024	2023
Loans and discounts		
Consumer lending	₱120,482,782,757	₱97,409,115,570
Corporate and commercial lending	14,963,234,935	14,599,017,775
Others	12,428,189	10,388,968
	135,458,445,881	112,018,522,313
Unquoted debt securities	151,836,309	151,836,309
Sales contracts receivable	1,452,752,380	1,460,193,792
	137,063,034,570	113,630,552,414
Allowance for credit losses (Note 14)	(3,372,779,516)	(3,315,450,574)
	₱133,690,255,054	₱110,315,101,840

As of December 31, 2024 and 2023, 24.09% and 32.25% of the total loans and receivables, respectively, are subject to periodic interest repricing. The loans and receivables bear annual fixed interest rates ranging from 2.13% to 37.24% in 2024 and from 2.13% to 39.42% in 2023 and 2.00% to 39.42% in 2022, respectively.



Unquoted debt securities

Included in unquoted debt securities are notes issued by First Sovereign Asset Management Inc. (FSAMI) as part of the payment it made to the Bank in exchange for selected investment properties, non-performing loans, investment securities and other assets as identified in the Omnibus Agreement. As of December 31, 2024 and 2023, these securities amounting to ₱151.84 million are fully provided with allowance for credit losses.

Modification of Loans and Receivables

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

Under Bayanihan 2 Act, a one-time 60-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

The total modification losses resulting from Bayanihan 1 Act and Bayanihan 2 Act amounted to ₱203.75 million. The net impact of the loan modification after subsequent accretion in 2020 of the modified loans amounted to ₱141.79 million. In 2022, 2023 and 2024, the accretion on the modified loans amounted to ₱44.09 million, ₱9.95 million and ₱5.38 million, respectively.

The Bank’s loans and receivables that had loss allowances measured at an amount equal to lifetime ECL and whose cash flows were modified in 2020 but have not resulted in derecognition had an amortized cost before modification amounting to ₱1.51 billion. Modification loss recognized for these loans and receivables amounted to ₱5.9 million.

Interest Income on Loans and Receivables

Interest income on loans and receivables consist of interest income on:

	2024	2023	2022
Loans and discounts			
Consumer lending	₱11,331,305,405	₱9,074,380,009	₱6,300,788,241
Corporate and commercial lending	1,082,923,665	1,127,137,448	1,108,669,232
Others	389,014	376,234	402,320
Sales contract receivable	117,732,080	100,769,393	84,453,681
	₱12,532,350,164	₱10,302,663,084	₱7,494,313,474



9. Non-Current Assets Held for Sale

Non-current assets held for sale consist of vehicles foreclosed in settlement of loans receivable which are expected to be sold within one year from the reporting date.

	2024	2023
Balance at beginning of year	₱213,368,762	₱166,771,807
Additions	1,004,896,274	437,485,346
Disposals	(650,842,592)	(390,888,391)
Balance at end of year	₱567,422,444	₱213,368,762

Gain (Loss) on Asset Exchange

Loss on foreclosure of NCAHS amounted to ₱31.56 million, ₱120.41 million and ₱123.88 million in 2024, 2023 and 2022, respectively.

The Bank realized ₱42.82 million loss in 2024, ₱14.03 million gain in 2023 and ₱40.62 million gain in 2022 on sale of NCAHS.

10. Property and Equipment

The composition of and movements in this account follow:

December 31, 2024						
	Land	Condominium Properties, Buildings and Improvements	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-use Assets – Buildings	Total
Cost						
Balances at beginning of year	₱443,395,334	₱1,056,340,497	₱1,378,345,902	₱721,535,095	₱1,188,026,116	₱4,787,642,944
Additions	–	108,862,028	222,852,694	82,877,587	244,843,515	659,435,824
Disposals/expirations	–	(35,424,980)	(91,163,710)	(549,200)	(113,002,299)	(240,140,189)
Balances at end of year	443,395,334	1,129,777,545	1,510,034,886	803,863,482	1,319,867,332	5,206,938,579
Accumulated Depreciation						
Balances at beginning of year	–	704,597,897	1,077,838,195	536,719,850	503,073,515	2,822,229,457
Depreciation and amortization	–	29,651,818	138,616,111	84,528,058	231,968,730	484,764,717
Disposals/expiration	–	(237,476)	(86,063,007)	–	(109,922,944)	(196,223,427)
Balances at end of year	–	734,012,239	1,130,391,299	621,247,908	625,119,301	3,110,770,747
Net Book Values at End of Year	₱443,395,334	₱395,765,306	₱379,643,587	₱182,615,574	₱694,748,031	₱2,096,167,832

December 31, 2023						
	Land	Condominium Properties, Buildings and Improvements	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-use Assets – Buildings	Total
Cost						
Balances at beginning of year	₱443,395,334	₱1,035,109,180	₱1,342,444,742	₱624,326,047	₱972,423,516	₱4,417,698,819
Additions	–	102,685,321	202,607,912	97,209,048	413,520,745	816,023,026
Disposals/expirations	–	(81,454,004)	(166,706,752)	–	(197,918,145)	(446,078,901)
Balances at end of year	443,395,334	1,056,340,497	1,378,345,902	721,535,095	1,188,026,116	4,787,642,944
Accumulated Depreciation						
Balances at beginning of year	–	681,396,487	1,132,275,172	460,425,583	482,639,141	2,756,736,383
Depreciation and amortization	–	23,438,886	105,713,707	76,294,267	212,974,022	418,420,882
Disposals/expiration	–	(237,476)	(160,150,684)	–	(192,539,648)	(352,927,808)
Balances at end of year	–	704,597,897	1,077,838,195	536,719,850	503,073,515	2,822,229,457
Net Book Values at End of Year	₱443,395,334	₱351,742,600	₱300,507,707	₱184,815,245	₱684,952,601	₱1,965,413,487



The details of depreciation and amortization presented in the statements of income follow:

	2024	2023	2022
Property and equipment	₱484,764,717	₱418,420,882	₱359,413,996
Investment properties (Note 11)	50,651,091	54,753,966	57,766,813
Software costs (Note 12)	13,342,815	16,092,997	12,473,604
	₱548,758,623	₱489,267,845	₱429,654,413

As of December 31, 2024 and 2023, the gross carrying amount of fully depreciated building and furniture, fixtures and equipment still in use amounted to ₱896.08 million and ₱856.01 million, respectively.

There are no restrictions on titles on property and equipment and the Bank does not have any contractual commitments for acquisition of property and equipment as of December 31, 2024 and 2023.

11. Investment Properties

The composition of and movements in this account follow:

	December 31, 2024		
	Land	Condominium Properties, Buildings and Improvements	Total
Cost			
Balances at beginning of year	₱1,448,476,048	₱1,403,866,100	₱2,852,342,148
Additions	207,231,851	190,377,431	397,609,282
Disposals	(323,659,110)	(225,010,508)	(548,669,618)
Balances at end of year	1,332,048,789	1,369,233,023	2,701,281,812
Accumulated Depreciation			
Balances at beginning of year	—	465,419,048	465,419,048
Depreciation (Note 10)	—	50,651,091	50,651,091
Disposals	—	(52,467,398)	(52,467,398)
Balances at end of year	—	463,602,741	463,602,741
Accumulated Impairment Losses (Note 14)			
Balances at beginning of year	105,262,461	331,654,281	436,916,742
Disposal, reclassifications and other movements	—	(74,348,678)	(74,348,678)
Balances at end of year	₱105,262,461	₱257,305,603	₱362,568,064
Net Book Values at End of Year	₱1,226,786,328	₱648,324,679	₱1,875,111,007



	December 31, 2023		
	Land	Condominium Properties, Buildings and Improvements	Total
Cost			
Balances at beginning of year	₱1,629,125,326	₱1,456,640,410	₱3,085,765,736
Additions	405,153,496	182,337,652	587,491,148
Disposals	(585,802,774)	(235,111,962)	(820,914,736)
Balances at end of year	1,448,476,048	1,403,866,100	2,852,342,148
Accumulated Depreciation			
Balances at beginning of year	—	457,605,969	457,605,969
Depreciation (Note 10)	—	54,753,966	54,753,966
Disposals	—	(46,940,887)	(46,940,887)
Balances at end of year	—	465,419,048	465,419,048
Accumulated Impairment Losses (Note 14)			
Balances at beginning of year	105,262,461	358,860,370	464,122,831
Reversal of provisions	—	(27,206,089)	(27,206,089)
Balances at end of year	₱105,262,461	₱331,654,281	₱436,916,742
Net Book Values at End of Year	₱1,343,213,587	₱606,792,771	₱1,950,006,358

Gain on Asset Exchange

Gain on foreclosure of investment properties amounted to ₱123.78 million, ₱166.22 million and ₱87.99 million in 2024, 2023 and 2022, respectively.

The Bank realized gain on sale of investment properties amounting to ₱243.22 million, ₱320.09 million and ₱371.45 million in 2024, 2023 and 2022, respectively.

Details of rent income earned and direct operating expense incurred on investment properties of the Bank follow:

	2024	2023	2022
Rent income on investment properties (included under income from property rentals)	₱49,855,163	₱47,563,155	₱49,157,087
Direct operating expenses on investment properties not generating rent income (included under miscellaneous expenses)	50,412,941	63,947,420	69,571,257

Expenses on investment properties generating rent income are shouldered by the lessee.

12. Intangible Assets

Branch Licenses

This pertains to branch licenses recognized by the Bank in connection with its merger with PDB (Note 27). The recoverable amounts of these branch licenses have been determined using value in use in 2024 and 2023. As of December 31, 2024 and 2023, the carrying amount of branch licenses amounted to ₱74.48 million. The branch licenses are determined to be not impaired.



Software Costs

Movements in software costs are as follows:

	2024	2023
Cost		
Balance at beginning of year	₱236,396,932	₱229,343,700
Additions	17,300,392	7,053,232
Balance at end of year	253,697,324	236,396,932
Accumulated amortization		
Balance at beginning of year	186,956,527	170,863,530
Amortization (Note 10)	13,342,815	16,092,997
Balance at end of year	200,299,342	186,956,527
Net Book Value at End of Year	₱53,397,982	₱49,440,405

13. Other Assets

This account consists of:

	2024	2023
Financial		
Accounts receivable (Note 23)	₱1,614,748,378	₱1,413,902,802
Accrued interest receivable	1,598,688,260	1,411,581,621
Advance rental deposits	99,451,839	89,142,725
Returned checks and other cash items (RCOCI)	40,585,297	215,462,400
Other equity investments	21,792,208	21,792,208
	3,375,265,982	3,151,881,756
Nonfinancial		
Non-performing Asset Pool (NPAP)	1,176,678,195	1,198,123,367
Documentary stamp tax	110,087,816	121,088,149
Retirement asset (Note 20)	49,800,520	69,384,834
Prepaid expenses	40,571,909	35,709,823
Stationery and supplies	36,661,278	36,867,292
Creditable withholding taxes (CWT)	12,164,343	—
Miscellaneous	123,870,650	154,466,959
	1,549,834,711	1,615,640,424
	4,925,100,693	4,767,522,180
Allowance for impairment and credit losses (Note 14)	(1,971,994,119)	(2,115,529,918)
	₱2,953,106,574	₱2,651,992,262

Accounts receivable

Accounts receivable includes non-interest bearing advances to officers and employees, with terms ranging from 1 to 30 days and receivables of the Bank from automated teller machine (ATM) transactions of clients of other banks that transacted through any of the Bank's ATM terminals. This also includes receivables from CBC for unpaid rental obligations (Note 23).



Non-Performing Asset Pool (NPAP)

As of December 31, 2024 and 2023, miscellaneous assets include NPAP which was acquired as a result of the merger with PDB. The NPAP represents the non-performing assets of PDB which were purchased from PDIC under a buy-back arrangement following the terms and conditions of the Financial Assistance Agreement dated June 28, 2002 between PDIC and PDB. This consists of the following (in thousands):

	2024	2023
Loans and receivables	₱957,495	₱978,940
Investment properties	145,107	145,107
Other assets*	74,076	74,076
	₱1,176,678	₱1,198,123

* Other assets include various property and equipment, various rental deposits of PDB's branches and other miscellaneous assets.

As of December 31, 2024 and 2023, the above NPAP are fully provided with allowance for impairment losses.

Other Equity Investments

This account comprises of investments acquired by the Bank from its merger with PDB. The investments include the 100% owned subsidiary, Filrice Inc. (Filrice), with investment cost of ₱2.19 million, and the 49% owned investee, PDB SME Solutions, Inc. (PDB SME), with investment cost of ₱19.60 million.

Filrice was established for the business of rice milling and warehousing but ceased operations in 2011. Its principal place of business is in Bulacan, Philippines. Investment in Filrice is classified under prudential regulations as a nonfinancial allied undertaking. Accordingly, for prudential reporting purposes, such investments are accounted for under the equity method of accounting instead of consolidated on a line-by-line basis. PDB SME was established to provide web-based solutions to help SME-entrepreneurs manage businesses better and expand to new markets. Its principal place of business is in Makati City, Philippines. PDB SME was dissolved in 2013.

Filrice and PDB SME are non-operating private companies and as such, have no available quoted market prices. As of December 31, 2024 and 2023, investment in PDB SME is fully provided with ₱19.60 million allowance for impairment losses while investment in Filrice is carried at original acquisition cost of ₱2.19 million where majority of its assets represent cash that is deposited with the Bank.

Miscellaneous Assets

As of December 31, 2024 and 2023, miscellaneous assets include prepayments to contractors for construction of leasehold improvements, security deposits and postage stamps.

Allowance for Impairment and Credit Losses

Allowance for impairment and credit losses includes provision against impaired accrued interest receivable (AIR) and long-outstanding advances amounting to ₱729.32 million and ₱851.51 million as of December 31, 2024 and 2023, respectively (Note 14).



14. Allowance for Impairment and Credit Losses

Changes in the allowance for impairment and credit losses are as follows:

	2024	2023
Balance at beginning of year		
Loans and receivables (Note 8)	₱3,315,450,574	₱3,207,743,168
Investment properties (Note 11)	436,916,742	464,122,831
Investment securities at amortized cost (Note 7)	10,829,186	11,714,586
Financial assets at FVOCI (Note 7)	21,901,844	3,346,800
Other assets (Note 13)	2,115,529,918	2,070,327,280
	5,900,628,264	5,757,254,665
Provisions charged to operations	773,248,903	1,015,498,571
Accounts charged off and others	(932,395,556)	(890,680,016)
	(159,146,653)	124,818,555
Balance at end of year		
Loans and receivables (Note 8)	3,372,779,516	3,315,450,574
Investment properties (Note 11)	362,568,064	436,916,742
Investment securities at amortized cost (Note 7)	12,238,068	10,829,186
Financial assets at FVOCI (Note 7)	20,754,832	21,901,844
Other assets (Note 13)	1,971,994,119	2,115,529,918
	₱5,740,334,599	₱5,900,628,264

At the current level of allowance for impairment and credit losses, management believes that the Bank has sufficient allowance to cover any losses that may be incurred from the non-collection or non-realization of its loans and receivables and other risk assets.

Below is the breakdown of provision for (reversal of) impairment and credit losses:

	2024	2023	2022
Loans and receivables	₱833,518,146	₱ 949,572,926	₱1,041,595,669
Investment properties	—	(27,206,089)	105,788,444
Investment securities at amortized cost	1,408,882	(885,400)	119,614,709
Financial assets at FVOCI (Note 7)	(1,147,012)	18,555,044	109,998
Other assets	(60,531,113)	75,462,090	240,476,668
	₱773,248,903	₱1,015,498,571	₱1,507,585,488

The tables below illustrate the movements of the allowance for impairment and credit losses of the financial assets for the years ended December 31, 2024 and 2023 (effect of movements in ECL due to transfers between stages are shown in the total column):

Loans and receivables

	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Consumer lending				
Loss allowance at January 1, 2024	₱408,462,263	₱108,451,051	₱1,089,364,722	₱1,606,278,036
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(4,905,654)	47,476,395	—	42,570,741
Transfer from Stage 1 to Stage 3	(3,639,271)	—	432,233,847	428,594,576
Transfer from Stage 2 to Stage 1	2,585,077	(25,018,101)	—	(22,433,024)

(Forward)



	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Consumer lending				
Transfer from Stage 2 to Stage 3	P–	(P17,949,109)	P220,275,650	P202,326,541
Transfer from Stage 3 to Stage 1	356,542	–	(42,346,269)	(41,989,727)
Transfer from Stage 3 to Stage 2	–	1,702,180	(20,889,547)	(19,187,367)
New financial assets originated or purchased	283,093,233	43,489,081	223,533,215	550,115,529
Changes in PDs/LGDs/EADs	(59,674,113)	111,791,694	660,531,824	712,649,405
Financial assets derecognized during the period	(129,904,859)	(42,970,941)	(498,088,474)	(670,964,274)
Total net P&L charge during the period	87,910,955	118,521,199	975,250,246	1,181,682,400
Other movements without P&L impact				
Write-offs, foreclosures and other movements	–	(123,846,875)	(614,608,771)	(738,455,646)
Loss allowance at December 31, 2024	P496,373,218	P103,125,375	P1,450,006,197	P2,049,504,790

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Corporate and commercial lending				
Loss allowance at January 1, 2024	P67,274,401	P36,416,793	P1,403,466,784	P1,507,157,978
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(1,562,752)	2,114,962	–	552,210
Transfer from Stage 1 to Stage 3	(173,881)	–	11,504,487	11,330,606
Transfer from Stage 2 to Stage 1	10,243,638	(13,863,311)	–	(3,619,673)
Transfer from Stage 2 to Stage 3	–	(1,075,743)	52,590,818	51,515,075
Transfer from Stage 3 to Stage 1	451,977	–	(29,904,079)	(29,452,102)
Transfer from Stage 3 to Stage 2	–	4,235,159	(207,048,065)	(202,812,906)
New financial assets originated or purchased	31,616,439	2,235,512	292,826,154	326,678,105
Changes in PDs/LGDs/EADs	(19,660,913)	48,663,878	(103,928,758)	(74,925,793)
Financial assets derecognized during the period	(26,549,356)	(12,331,564)	(383,952,681)	(422,833,601)
Total net P&L charge during the period	(5,634,848)	29,978,893	(367,912,124)	(343,568,079)
Other movements without P&L impact				
Write-offs, foreclosures and other movements	–	(58,075,397)	20,341,839	(37,733,558)
Loss allowance at December 31, 2024	P61,639,553	P8,320,289	P1,055,896,499	P1,125,856,341

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Others				
Loss allowance at January 1, 2024	P67	P–	P1,256,739	P1,256,806
Movements with P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 3	–	–	–	–
New financial assets originated or purchased	17	–	–	17
Changes in PDs/LGDs/EADs	(41)	–	439,059	439,018
Financial assets derecognized during the period	(7)	–	(7,371)	(7,378)
Total net P&L charge during the period	(31)	–	431,688	431,657
Loss allowance at December 31, 2024	P36	P–	P1,688,427	P1,688,463

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Unquoted debt securities				
Loss allowance at January 1, 2024	P–	P–	P151,836,309	P151,836,309
Total net P&L charge during the period	–	–	–	–
Loss allowance at December 31, 2024	P–	P–	P151,836,309	P151,836,309



	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
Sales contracts receivable	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance at January 1, 2024	₱12,696,017	₱–	₱36,225,428	₱48,921,445
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 3	(1,265,694)	–	24,056,772	22,791,078
Transfer from Stage 3 to Stage 1	436,720	–	(8,300,639)	(7,863,919)
New financial assets originated or purchased	3,321,907	–	2,800,661	6,122,568
Changes in PDs/LGDs/EADs	98,230	–	(18,582,048)	(18,483,818)
Financial assets derecognized during the period	(3,321,907)	–	(4,271,834)	(7,593,741)
Total net P&L charge during the period	(730,744)	–	(4,297,088)	(5,027,832)
Loss allowance at December 31, 2024	₱11,965,273	₱–	₱31,928,340	₱43,893,613

Financial assets at FVOCI

	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
Debt securities	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance at January 1, 2024	₱21,901,844	₱–	₱–	₱21,901,844
Movements with P&L impact				
New financial assets originated or purchased	137,757,740	–	–	137,757,740
Changes in PDs/LGDs/EADs	3,575,017	–	–	3,575,017
Financial assets derecognized during the period	(142,479,769)	–	–	(142,479,769)
Total net P&L charge during the period	(1,147,012)	–	–	(1,147,012)
Loss allowance at December 31, 2024	₱20,754,832	₱–	₱–	₱20,754,832

Investment securities at amortized cost

	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
Debt securities	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance at January 1, 2024	₱10,829,186	₱–	₱–	₱10,829,186
Movements with P&L impact				
New financial assets originated or purchased	1,885,467	–	–	1,885,467
Changes in PDs/LGDs/EADs	472,332	–	–	472,332
Financial assets derecognized during the period	(948,917)	–	–	(948,917)
Total net P&L charge during the period	1,408,882	–	–	1,408,882
Other movements without P&L impact				
Write-offs, foreclosures and other movements	–	–	–	–
Loss allowance at December 31, 2024	₱12,238,068	₱–	₱–	₱12,238,068



Other financial assets

Accounts receivable and accrued interest receivable	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Loss allowance at January 1, 2024	₱8,717,102	₱75,861,332	₱766,927,334	₱851,505,768
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(57,872)	2,962,204	—	2,904,332
Transfer from Stage 1 to Stage 3	(28,511)	—	4,748,410	4,719,899
Transfer from Stage 2 to Stage 1	168,352	(8,617,149)	—	(8,448,797)
Transfer from Stage 2 to Stage 3	—	(1,272,747)	4,141,206	2,868,459
Transfer from Stage 3 to Stage 1	9,158	—	(1,525,262)	(1,516,104)
Transfer from Stage 3 to Stage 2	—	2,408,304	(7,836,030)	(5,427,726)
New financial assets originated or purchased	2,216,456	1,029,823	10,257,925	13,504,204
Changes in PDs/LGDs/EADs	(1,474,254)	22,927,737	22,101,102	43,554,585
Financial assets derecognized during the period	(1,315,420)	(8,446,848)	(19,127,168)	(28,889,436)
Total net P&L charge during the period	(482,091)	10,991,324	12,760,183	23,269,416
Other movements without P&L impact				
Write-offs, foreclosures and other movements				
Reclassification to other nonfinancial assets	—	(68,656,920)	(76,793,274)	(145,450,194)
Loss allowance at December 31, 2024	₱8,235,011	₱18,195,736	₱702,894,243	₱729,324,990

Loans and receivables

Consumer lending	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Loss allowance at January 1, 2023	₱355,069,619	₱82,848,338	₱986,834,919	₱1,424,752,876
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(5,259,638)	42,800,235	—	37,540,597
Transfer from Stage 1 to Stage 3	(2,808,594)	—	300,108,070	297,299,476
Transfer from Stage 2 to Stage 1	2,053,303	(16,708,723)	—	(14,655,420)
Transfer from Stage 2 to Stage 3	—	(13,598,535)	178,562,629	164,964,094
Transfer from Stage 3 to Stage 1	179,698	—	(19,201,410)	(19,021,712)
Transfer from Stage 3 to Stage 2	—	2,564,406	(33,673,268)	(31,108,862)
New financial assets originated or purchased	233,712,546	47,551,462	218,036,708	499,300,716
Changes in PDs/LGDs/EADs	(75,164,618)	3,540,070	489,817,166	418,192,618
Financial assets derecognized during the period	(99,320,054)	(29,599,038)	(455,255,065)	(584,174,157)
Total net P&L charge during the period	53,392,644	36,549,877	678,394,830	768,337,351
Other movements without P&L impact				
Write-offs, foreclosures and other movements	—	(10,947,164)	(575,865,027)	(586,812,191)
Loss allowance at December 31, 2023	₱408,462,262	₱108,451,051	₱1,089,364,722	₱1,606,278,036



	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Corporate and commercial lending				
Loss allowance at January 1, 2023	₱49,686,916	₱63,157,286	₱1,460,728,100	₱1,573,572,302
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(828,984)	1,324,815	—	495,831
Transfer from Stage 1 to Stage 3	(168,220)	—	13,308,960	13,140,740
Transfer from Stage 2 to Stage 1	5,023,240	(8,027,734)	—	(3,004,494)
Transfer from Stage 2 to Stage 3	—	(2,577,091)	127,581,391	125,004,300
Transfer from Stage 3 to Stage 1	—	81,132	(4,016,540)	(3,935,408)
Transfer from Stage 3 to Stage 2	138,234	—	(10,936,605)	(10,798,371)
New financial assets originated or purchased	30,794,556	15,281,158	168,887,326	214,963,040
Changes in PDs/LGDs/EADs	3,559,383	(1,302,406)	227,394,938	229,651,915
Financial assets derecognized during the period	(20,930,724)	(27,879,327)	(328,068,497)	(376,878,548)
Total net P&L charge during the period	17,587,485	(23,099,453)	194,150,973	188,639,005
Other movements without P&L impact				
Write-offs, foreclosures and other movements	—	(3,641,040)	(251,412,289)	(255,053,329)
Loss allowance at December 31, 2023	₱67,274,401	₱36,416,793	₱1,403,466,784	₱1,507,157,978

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Others				
Loss allowance at January 1, 2023	₱356	₱105	₱1,363,648	₱1,364,109
Movements with P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 3	—	(50)	18,001	17,951
New financial assets originated or purchased	17	—	—	17
Changes in PDs/LGDs/EADs	(300)	50	(113,751)	(114,001)
Financial assets derecognized during the period	(6)	(105)	(11,159)	(11,270)
Total net P&L charge during the period	(289)	(105)	(106,909)	(107,303)
Loss allowance at December 31, 2023	₱67	₱—	₱1,256,739	₱1,256,806

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Unquoted debt securities				
Loss allowance at January 1, 2023	₱—	₱—	₱151,836,309	₱151,836,309
Total net P&L charge during the period	—	—	—	—
Loss allowance at December 31, 2023	₱—	₱—	₱151,836,309	₱151,836,309

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Sales contracts receivable				
Loss allowance at January 1, 2023	₱11,608,144	₱—	₱44,609,428	₱56,217,572
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 3	(1,027,444)	—	40,196,361	39,168,917
Transfer from Stage 3 to Stage 1	63,826	—	(2,497,050)	(2,433,224)
New financial assets originated or purchased	5,091,830	—	4,630,889	9,722,719
Changes in PDs/LGDs/EADs	(2,120,039)	—	(44,876,066)	(46,996,105)
Financial assets derecognized during the period	(920,300)	—	(5,838,134)	(6,758,434)
Total net P&L charge during the period	1,087,873	—	(8,384,000)	(7,296,127)
Loss allowance at December 31, 2023	₱12,696,017	₱—	₱36,225,428	₱48,921,445



Financial assets at FVOCI

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Debt securities				
Loss allowance at January 1, 2023	₱3,346,800	₱—	₱—	₱3,346,800
Movements with P&L impact				
New financial assets originated or purchased	19,148,237	—	—	19,148,237
Changes in PDs/LGDs/EADs	211,873	—	—	211,873
Financial assets derecognized during the period	(805,066)	—	—	(805,066)
Total net P&L charge during the period	18,555,044	—	—	18,555,044
Loss allowance at December 31, 2023	₱21,901,844	₱—	₱—	₱21,901,844

Investment securities at amortized cost

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Debt securities				
Loss allowance at January 1, 2023	₱11,714,586	₱—	₱—	₱11,714,586
Movements with P&L impact				
New financial assets originated or purchased	1,613,916	—	—	1,613,916
Changes in PDs/LGDs/EADs	(1,391,801)	—	—	(1,391,801)
Financial assets derecognized during the period	(1,107,515)	—	—	(1,107,515)
Total net P&L charge during the period	(885,400)	—	—	(885,400)
Other movements without P&L impact				
Write-offs, foreclosures and other movements	—	—	—	—
Loss allowance at December 31, 2023	₱10,829,186	₱—	₱—	₱10,829,186

Other financial assets

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Accounts receivable and accrued interest receivable				
Loss allowance at January 1, 2023	₱8,242,547	₱32,967,597	₱741,775,962	₱782,986,106
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(55,231)	1,025,442	—	970,211
Transfer from Stage 1 to Stage 3	(24,282)	—	3,366,581	3,342,299
Transfer from Stage 2 to Stage 1	110,792	(2,057,022)	—	(1,946,230)
Transfer from Stage 2 to Stage 3	—	(801,420)	5,984,651	5,183,231
Transfer from Stage 3 to Stage 1	1,349	17,896	(320,710)	(301,465)
Transfer from Stage 3 to Stage 2	2,625	43,931	(691,951)	(645,395)
New financial assets originated or purchased	2,241,933	9,889,720	8,214,543	20,346,196
Changes in PDs/LGDs/EADs	(659,500)	42,389,250	57,193,149	98,922,899
Financial assets derecognized during the period	(1,143,131)	(6,656,778)	(15,351,120)	(23,151,029)
Total net P&L charge during the period	474,555	43,851,019	58,395,143	102,720,717
Other movements without P&L impact				
Write-offs, foreclosures and other movements				
Reclassification to other nonfinancial assets	—	(957,284)	(33,243,771)	(34,201,055)
Loss allowance at December 31, 2023	₱8,717,102	₱75,861,332	₱766,927,334	₱851,505,768



The corresponding movement of the gross carrying amount of the financial asset are shown below:

Loans and receivables

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Consumer lending				
Gross carrying amount as at January 1, 2024	₱92,780,310,005	₱2,545,404,831	₱2,083,400,734	₱97,409,115,570
Transfers:				
Transfer from Stage 1 to Stage 2	(1,114,296,681)	1,114,296,681	—	—
Transfer from Stage 1 to Stage 3	(826,643,544)	—	826,643,544	—
Transfer from Stage 2 to Stage 1	587,188,354	(587,188,354)	—	—
Transfer from Stage 2 to Stage 3	—	(421,275,301)	421,275,301	—
Transfer from Stage 3 to Stage 1	80,986,878	—	(80,986,878)	—
Transfer from Stage 3 to Stage 2	—	39,951,081	(39,951,081)	—
New financial assets purchased or originated	65,724,523,043	1,075,876,375	414,807,402	67,215,206,820
Movements in outstanding balance	(12,483,973,081)	325,719,816	521,596,716	(11,636,656,549)
Financial assets derecognized during the period	(29,507,286,723)	(1,008,551,223)	(952,589,955)	(31,468,427,901)
Foreclosures	—	(533,015,243)	(503,439,940)	(1,036,455,183)
Gross carrying amount as at December 31, 2024	₱115,240,808,251	₱2,551,218,663	₱2,690,755,843	₱120,482,782,757

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Corporate and commercial lending				
Gross carrying amount as at January 1, 2024	₱8,511,102,156	₱3,404,277,436	₱2,683,638,183	₱14,599,017,775
Transfers:				
Transfer from Stage 1 to Stage 2	(197,708,753)	197,708,753	—	—
Transfer from Stage 1 to Stage 3	(21,998,298)	—	21,998,298	—
Transfer from Stage 2 to Stage 1	1,295,955,839	(1,295,955,839)	—	—
Transfer from Stage 2 to Stage 3	—	(100,561,502)	100,561,502	—
Transfer from Stage 3 to Stage 1	57,181,068	—	(57,181,068)	—
Transfer from Stage 3 to Stage 2	—	395,906,836	(395,906,836)	—
New financial assets purchased or originated	5,950,851,878	369,891,070	550,417,375	6,871,160,323
Movements in outstanding balance	(634,731,285)	(274,523,127)	(78,068,978)	(987,323,390)
Financial assets derecognized during the period	(3,358,844,943)	(1,152,766,651)	(734,174,893)	(5,245,786,487)
Foreclosures	—	(167,289,697)	(106,543,589)	(273,833,286)
Gross carrying amount as at December 31, 2024	₱11,601,807,662	₱1,376,687,279	₱1,984,739,994	₱14,963,234,935

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Others				
Gross carrying amount as at January 1, 2024	₱7,277,079	₱—	₱3,111,889	₱10,388,968
Transfers:				
Transfer from Stage 2 to Stage 3	—	—	—	—
New financial assets purchased or originated	4,416,325	—	—	4,416,325
Movements in outstanding balance	(1,575,493)	—	—	(1,575,493)
Financial assets derecognized during the period	(783,359)	—	(18,252)	(801,611)
Gross carrying amount as at December 31, 2024	₱9,334,552	₱—	₱3,093,637	₱12,428,189

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Unquoted debt securities				
Gross carrying amount as at January 1, 2024	₱—	₱—	₱151,836,309	₱151,836,309
Financial assets derecognized during the period	—	—	—	—
Gross carrying amount as at December 31, 2024	₱—	₱—	₱151,836,309	₱151,836,309

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Sales contract receivable				
Gross carrying amount as at January 1, 2024	₱1,269,601,658	₱—	₱190,592,134	₱1,460,193,792
Transfers:				
Transfer from Stage 1 to Stage 3	(126,569,423)	—	126,569,423	—
Transfer from Stage 3 to Stage 1	43,671,988	—	(43,671,988)	—
New financial assets purchased or originated	332,190,698	—	22,475,316	354,666,014
Movements in outstanding balance	9,823,117	—	(17,264,530)	(7,441,413)
Financial assets derecognized during the period	(332,190,698)	—	(22,475,315)	(354,666,013)
Gross carrying amount as at December 31, 2024	₱1,196,527,340	₱—	₱256,225,040	₱1,452,752,380



Financial assets at FVOCI

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Debt securities				
Gross carrying amount as at January 1, 2024	₱12,379,155,364	₱—	₱—	₱12,379,155,364
New financial assets purchased or originated	79,533,757,836	—	—	79,533,757,836
Movements in outstanding balance	600,869,523	—	—	600,869,523
Financial assets derecognized during the period	(80,531,081,936)	—	—	(80,531,081,936)
Gross carrying amount as at December 31, 2024	₱11,982,700,787	₱—	₱—	₱11,982,700,787

Investment securities at amortized cost

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Debt securities				
Gross carrying amount as at January 1, 2024	₱6,269,609,894	₱—	₱—	₱6,269,609,894
New financial assets purchased or originated	1,053,741,820	—	—	1,053,741,820
Movements in outstanding balance	65,587,405	—	—	65,587,405
Financial assets derecognized during the period	(549,380,000)	—	—	(549,380,000)
Gross carrying amount as at December 31, 2024	₱6,839,559,119	₱—	₱—	₱6,839,559,119

Other financial assets

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Accounts receivable and accrued interest receivable				
Gross carrying amount as at January 1, 2024	₱1,663,726,159	₱ 282,868,950	₱878,889,314	₱2,825,484,423
Transfers:				
Transfer from Stage 1 to Stage 2	(11,045,359)	11,045,359	—	—
Transfer from Stage 1 to Stage 3	(5,441,620)	—	5,441,620	—
Transfer from Stage 2 to Stage 1	32,131,310	(32,131,310)	—	—
Transfer from Stage 2 to Stage 3	—	(4,745,771)	4,745,771	—
Transfer from Stage 3 to Stage 1	1,747,931	—	(1,747,931)	—
Transfer from Stage 3 to Stage 2	—	8,979,994	(8,979,994)	—
New financial assets purchased or originated	525,414,580	14,616,305	14,638,508	554,669,393
Movements in outstanding balance	(3,351,766)	16,004,174	137,363,551	150,015,959
Financial assets derecognized during the period	(251,058,054)	(31,496,297)	(21,919,500)	(304,473,851)
Foreclosures	—	(6,888,848)	(5,370,438)	(12,259,286)
Gross carrying amount as at December 31, 2024	₱1,952,123,181	₱258,252,556	₱1,003,060,901	₱3,213,436,638

Loans and receivables

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Consumer lending				
Gross carrying amount as at January 1, 2023	₱68,995,515,770	₱1,978,339,758	₱1,794,581,346	₱72,768,436,874
Transfers:				
Transfer from Stage 1 to Stage 2	(1,022,029,036)	1,022,029,036	—	—
Transfer from Stage 1 to Stage 3	(545,753,230)	—	545,753,230	—
Transfer from Stage 2 to Stage 1	398,988,455	(398,988,455)	—	—
Transfer from Stage 2 to Stage 3	—	(324,720,130)	324,720,130	—
Transfer from Stage 3 to Stage 1	34,918,193	—	(34,918,193)	—
Transfer from Stage 3 to Stage 2	—	61,235,590	(61,235,590)	—
New financial assets purchased or originated	53,086,721,842	1,116,058,527	416,993,344	54,619,773,713
Movements in outstanding balance	(8,868,630,119)	55,183,346	226,354,307	(8,587,092,466)
Financial assets derecognized during the period	(19,299,421,870)	(706,796,970)	(827,891,506)	(20,834,110,346)
Foreclosures	—	(256,935,871)	(300,956,334)	(557,892,205)
Gross carrying amount as at December 31, 2023	₱92,780,310,005	₱2,545,404,831	₱2,083,400,734	₱97,409,115,570



	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Corporate and commercial lending				
Gross carrying amount as at January 1, 2023	₱7,712,897,286	₱6,134,652,511	₱2,866,014,125	₱16,713,563,922
Transfers:				
Transfer from Stage 1 to Stage 2	(128,683,176)	128,683,176	—	—
Transfer from Stage 1 to Stage 3	(26,112,778)	—	26,112,778	—
Transfer from Stage 2 to Stage 1	779,757,315	(779,757,315)	—	—
Transfer from Stage 2 to Stage 3	—	(250,320,418)	250,320,418	—
Transfer from Stage 3 to Stage 1	21,458,110	—	(21,458,110)	—
Transfer from Stage 3 to Stage 2	—	7,880,631	(7,880,631)	—
New financial assets purchased or originated	3,895,918,959	1,428,497,608	322,937,801	5,647,354,368
Movements in outstanding balance	(495,058,403)	(216,989,931)	(27,818,448)	(739,866,782)
Financial assets derecognized during the period	(3,249,075,158)	(2,708,000,858)	(643,685,123)	(6,600,761,139)
Foreclosures	—	(340,367,968)	(80,904,626)	(421,272,594)
Gross carrying amount as at December 31, 2023	₱8,511,102,156	₱3,404,277,436	₱2,683,638,183	₱14,599,017,775

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Others				
Gross carrying amount as at January 1, 2023	₱6,666,768	₱87,883	₱3,142,775	₱9,897,426
Transfers:				
Transfer from Stage 2 to Stage 3	—	(41,487)	41,487	—
New financial assets purchased or originated	1,867,801	—	—	1,867,801
Movements in outstanding balance	(1,142,067)	41,487	(46,655)	(1,147,235)
Financial assets derecognized during the period	(115,423)	(87,883)	(25,718)	(229,024)
Gross carrying amount as at December 31, 2023	₱7,277,079	₱—	₱3,111,889	₱10,388,968

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Unquoted debt securities				
Gross carrying amount as at January 1, 2023	₱—	₱—	₱151,836,309	₱151,836,309
Financial assets derecognized during the period	—	—	—	—
Gross carrying amount as at December 31, 2023	₱—	₱—	₱151,836,309	₱151,836,309

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Sales contract receivable				
Gross carrying amount as at January 1, 2023	₱1,160,814,380	₱—	₱114,024,502	₱1,274,838,882
Transfers:				
Transfer from Stage 1 to Stage 3	(102,744,425)	—	102,744,425	—
Transfer from Stage 3 to Stage 1	6,382,617	—	(6,382,617)	—
New financial assets purchased or originated	509,183,026	—	24,364,407	533,547,434
Movements in outstanding balance	(212,003,967)	—	(29,235,945)	(241,239,912)
Financial assets derecognized during the period	(92,029,973)	—	(14,922,638)	(106,952,611)
Gross carrying amount as at December 31, 2023	₱1,269,601,658	₱—	₱190,592,134	₱1,460,193,792

Financial assets at FVOCI

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Debt securities				
Gross carrying amount as at January 1, 2023	₱1,933,457,664	₱—	₱—	₱1,933,457,664
New financial assets purchased or originated	10,822,787,584	—	—	10,822,787,584
Movements in outstanding balance	87,999,503	—	—	87,999,503
Financial assets derecognized during the period	(465,089,387)	—	—	(465,089,387)
Gross carrying amount as at December 31, 2023	₱12,379,155,364	₱—	₱—	₱12,379,155,364

Investment securities at amortized cost

	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Debt securities				
Gross carrying amount as at January 1, 2023	₱5,909,130,216	₱—	₱—	₱5,909,130,216
New financial assets purchased or originated	934,384,243	—	—	934,384,243
Movements in outstanding balance	(15,246,501)	—	—	(15,246,501)
Financial assets derecognized during the period	(558,658,064)	—	—	(558,658,064)
Gross carrying amount as at December 31, 2023	₱6,269,609,894	₱—	₱—	₱6,269,609,894



Other financial assets

	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
Accounts receivable and accrued interest receivable	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at January 1, 2023	₱1,395,257,010	₱300,572,514	₱905,640,605	₱2,601,470,129
Transfers:				
Transfer from Stage 1 to Stage 2	(9,349,169)	9,349,169	—	—
Transfer from Stage 1 to Stage 3	(4,110,287)	—	4,110,287	—
Transfer from Stage 2 to Stage 1	18,754,300	(18,754,300)	—	—
Transfer from Stage 2 to Stage 3	—	(7,306,712)	7,306,712	—
Transfer from Stage 3 to Stage 1	228,391	163,166	(391,557)	—
Transfer from Stage 3 to Stage 2	444,283	400,526	(844,809)	—
New financial assets purchased or originated	427,890,186	36,876,424	9,413,766	474,180,376
Movements in outstanding balance	28,114,988	30,987,167	(23,959,796)	35,142,359
Financial assets derecognized during the period	(193,503,543)	(60,691,246)	(18,742,313)	(272,937,102)
Foreclosures	—	(8,727,758)	(3,643,581)	(12,371,339)
Gross carrying amount as at December 31, 2023	₱1,663,726,159	₱282,868,950	₱878,889,314	₱2,825,484,423

15. Deposit Liabilities

BSP Circular No. 832 provides for an 8.00% reserve requirement for deposit liabilities of thrift banks. On June 23, 2023, the BSP issued Circular No. 1175 reducing the reserve requirement for deposit liabilities of thrift banks to 2%. On September 20, 2024, the BSP issued Circular No. 1201 reducing the reserve requirement for deposit liabilities of thrift banks to 1.00%. As of December 31, 2024 and 2023, due from BSP amounting to ₱1.77 billion and ₱3.01 billion, respectively, was set aside as reserves for deposit liabilities to comply with the reserve requirement (Note 6).

Foreign currency-denominated deposit liabilities bear annual fixed interest rates ranging from 0.05% to 4.25% in 2024, from 0.05% to 4.75% in 2023 and from 0.05% to 4.25% in 2022, while peso-denominated deposit liabilities bear interest rates ranging from 0.13% to 6.88% in 2024, from 0.01% to 7.25% in 2023 and from 0.13% to 6.75% in 2022.

On May 27, 2020, the BSP issued BSP Circular No. 1087 *Alternative Compliance with the Reserve Requirements of Banks and Non-Bank Financial Institutions with Quasi-Banking Functions (NBQBs)*, which provides the following alternative modes of compliance with the required reserves against deposit and deposit liabilities, provided that the following loans were granted, renewed or restructured after March 15, 2020:

- Peso-denominated loans that are granted to micro, small and medium enterprises (MSMEs)
- Peso-denominated loans that are granted to large enterprises, excluding banks and NBQBs

On September 21, 2022, BSP issued BSP Circular No. 1155 *Amendments to the Alternative Compliance with the Reserve Requirements of Banks and Non-Bank Financial Institutions with Quasi-Banking Functions (NBQBs)*. The use of MSME loans as allowable alternative compliance with the reserve requirement shall be available to banks from April 24, 2020 to June 30, 2023 while the use of loans to a large enterprise as allowable alternative compliance with the reserve requirements shall be available to banks from May 29, 2020 to June 30, 2023.



16. Accruals and Other Liabilities

Accrued Interest and Other Expenses

This account consists of:

	2024	2023
Accrued interest payable	₱889,396,383	₱590,751,472
Accrued other expenses	342,858,520	430,942,678
	₱1,232,254,903	₱1,021,694,150

Accrued other expenses include accruals for employee benefits, utilities, janitorial and security services.

Other Liabilities

This account consists of:

	2024	2023
Financial		
Accounts payable (Note 23)	₱1,993,888,858	₱1,393,565,188
Lease liabilities (Note 21)	784,672,010	765,254,637
Due to the Treasurer of the Philippines	43,630,247	43,630,247
Other credits - dormant	16,379,962	39,894,632
Security deposit (Note 23)	12,193,405	12,177,616
Bills purchased	–	51,866
	2,850,764,482	2,254,574,186
Nonfinancial		
Taxes payable	117,451,180	82,440,880
Miscellaneous	88,196,067	82,580,924
	205,647,247	165,021,804
	₱3,056,411,729	₱2,419,595,990

Accounts payable consists mainly of mortgage and vehicle registration fees held for the account of loan borrowers which will be remitted to various government agencies, liability to automated teller machine interbank network service provider, registration fees, insurance premium, documentary stamps and notarial fee.

Bills purchased pertains to credit accommodation where check payments in the form of manager's check, demand draft and cashier's check are purchased by the Bank and will be paid after the credit period. Other payable consists of SSS, medicare and employee compensation premium.

Miscellaneous includes sundry credits, inter-office float items, dormant deposit accounts and deposit for keys on safety deposit boxes.



17. Maturity Analysis of Assets and Liabilities

The table below presents the Bank's assets and liabilities as of December 31, 2024 and 2023 analyzed according to when they are expected to be recovered or settled within one year and beyond one year from the respective reporting dates (in thousands):

	December 31, 2024			December 31, 2023		
	Within twelve months	Over twelve months	Total	Within twelve months	Over twelve months	Total
Financial assets						
Cash and cash equivalents	₱27,129,881	₱–	₱27,129,881	₱20,001,169	₱–	₱20,001,169
Financial assets at FVPL	100,435	–	100,435	50,900	–	50,900
Financial assets at FVOCI	3,744,280	8,284,120	12,028,400	8,786,049	3,625,810	12,411,859
Investment securities at amortized cost	2,790,582	4,048,977	6,839,559	539,997	5,729,613	6,269,610
Loans and receivables	8,289,747	128,773,288	137,063,035	8,658,249	104,972,303	113,630,552
Other assets						
Accounts receivable	1,614,748	–	1,614,748	1,413,903	–	1,413,903
AIR	1,598,688	–	1,598,688	1,411,582	–	1,411,582
Advance rental deposits	99,452	–	99,452	89,143	–	89,143
RCOCI	40,585	–	40,585	215,462	–	215,462
Other equity investments	–	21,792	21,792	–	21,792	21,792
	45,408,398	141,128,177	186,536,575	41,166,454	114,349,518	155,515,972
Nonfinancial assets						
NCAHS	567,422	–	567,422	213,369	–	213,369
Property and equipment	–	5,206,939	5,206,939	–	4,787,643	4,787,643
Investment properties	–	2,701,282	2,701,282	–	2,852,342	2,852,342
Branch licenses	–	74,480	74,480	–	74,480	74,480
Software costs	–	253,697	253,697	–	236,397	236,397
Deferred tax asset	–	1,727,204	1,727,204	–	1,495,381	1,495,381
Other assets						
NPAP	–	1,176,678	1,176,678	–	1,198,123	1,198,123
Documentary stamp tax	110,088	–	110,088	121,088	–	121,088
Retirement asset	–	49,801	49,801	–	69,385	69,385
Prepaid expenses	40,572	–	40,572	35,710	–	35,710
Stationery and supplies	–	36,661	36,661	–	36,867	36,867
CWT	12,164	–	12,164	–	–	–
Miscellaneous	123,871	–	123,871	154,466	–	154,466
	854,117	11,226,742	12,080,859	524,633	10,750,618	11,275,251
	46,262,515	152,354,919	198,617,434	41,691,087	125,100,136	166,791,223
Allowances for impairment and credit losses (Note 14)			(5,719,580)			(5,878,726)
Accumulated depreciation and amortization (Notes 10, 11 and 12)			(3,774,673)			(3,474,605)
			(9,494,253)			(9,353,331)
			₱189,123,181			₱157,437,892
Financial liabilities						
Deposit liabilities	₱156,671,165	₱10,121,708	₱166,792,873	₱129,178,665	₱8,476,566	₱137,655,231
Manager's checks	203,679	–	203,679	689,699	–	689,699
Accrued interest and other expenses	1,232,255	–	1,232,255	1,021,694	–	1,021,694
Other liabilities						
Accounts payable	1,993,889	–	1,993,889	1,393,565	–	1,393,565
Lease liabilities	17,409	767,263	784,672	66,172	699,082	765,254
Due to the Treasurer of the Philippines	43,630	–	43,630	43,630	–	43,630
Other credits - dormant	–	16,380	16,380	–	39,895	39,895
Security deposits	–	12,193	12,193	–	12,178	12,178
Bills purchased	–	–	–	52	–	52
	160,162,027	10,917,544	171,079,571	132,393,477	9,227,721	141,621,198
Nonfinancial liabilities						
Taxes payable	117,451	–	117,451	82,441	–	82,441
Income tax payable	503	–	503	2,591	–	2,591
Other liabilities	88,196	–	88,196	82,581	–	82,581
	206,150	–	206,150	167,613	–	167,613
	₱160,368,177	₱10,917,544	₱171,285,721	₱132,561,090	₱9,227,721	₱141,788,811



18. Equity

As of December 31, 2024 and 2023, the Bank has 134 million authorized common shares and 6 million authorized preferred shares.

As of December 31, 2024 the Bank's capital stock consists of:

	Shares	Amount
Preferred stock – ₱100 par value		
Balance at beginning and end of year	21,642	₱2,164,200
Common stock – ₱100 par value		
Balance at beginning and end of year	115,414,149	11,541,414,900
	115,435,791	₱11,543,579,100

As of December 31, 2023 the Bank's capital stock consists of:

	Shares	Amount
Preferred stock – ₱100 par value		
Balance at beginning and end of year	21,642	₱2,164,200
Common stock – ₱100 par value		
Balance at beginning of year	105,414,149	10,541,414,900
Issuance of stock during the year	10,000,000	1,000,000,000
Balance at end of year	115,414,149	11,541,414,900
	115,435,791	₱11,543,579,100

The Bank's Amended Articles of Incorporation disclosed the following features of its preferred stock:

- Non-voting and non-participating;
- Preference at liquidation, including declared dividends which have not been distributed;
- Non-cumulative dividend rate as determined by the BOD, provided not to exceed twice the current ninety-day Treasury bill rate at date of approval by the BOD;
- Convertible to common shares, at the option of the stockholder, if no dividends are declared for three consecutive years, at book value of common shares at the time of the conversion; and
- Re-issuable.

The summarized information on the Bank's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Type/Class	Authorized Shares	Par Value
December 7, 2017	Common	134,000,000	₱100
	Preferred	6,000,000	100
December 17, 2015	Common	74,000,000	100
	Preferred	6,000,000	100
March 1, 1973	Common	24,000,000	100
	Preferred	6,000,000	100

As of December 31, 2024 and 2023, the total number of stockholders is 1,550, respectively.

Centennial Stock Grant

In light of the Parent Bank's 100th anniversary, the Parent Bank's Board of Directors approved on August 5, 2020 a Centennial Stock Grant Plan to issue common shares to eligible grantees.



The Centennial Stock Grant Plan was approved and ratified by the Parent Bank's stockholders on October 1, 2020, subject to the approval of the relevant regulatory agencies. New shares will be issued from the Parent Bank's authorized but unissued shares in favor of China Bank Group's regular employees and certain other officers and contractual employees as of August 16, 2020, numbering around 8,400. The stock grant will involve the issuance of around 5 million shares.

The stock grant awarded by the Parent Bank to the Bank's employees amounting to ₱18.29 million as of December 31, 2020 is recognized under 'Other equity - stock grants' in the Bank's statement of financial position.

On August 9, 2021, the Philippine Stock Exchange (PSE) approved the Parent Bank's application to list the 5 million shares with a par value of ₱10.00 per share, to cover the Centennial Stock Grant Plan. The Parent Bank issued the corresponding shares on September 1, 2021. The difference in the fair value of the stock grants upon issuance of shares is recognized in profit or loss.

On September 22, 2023, another tranche of stock grants were issued resulting in adjustment in equity amounting to ₱22,050.

Capital Infusions

Details of the Parent Bank's capital infusions to the Bank in support of the Bank's planned business growth and expansion follow:

Date	Amount
December 22, 2023	₱1,000,000,000
June 6, 2018	500,000,000
December 31, 2016	1,500,000,000
September 29, 2016	1,000,000,000
December 16, 2015	2,000,000,000

Surplus and Surplus Reserves

Surplus

In compliance with BSP Circular 1011 under Section 11 I, in cases when the computed allowance for credit losses on Stage 1 accounts is less than the required one percent (1%) general provision, the deficiency shall be recognized by appropriating the surplus reserves. As of December 31, 2024 and 2023 the Bank appropriated ₱726.94 million and ₱592.93 million, respectively, from its free surplus to comply with the general loan loss provision required by BSP.

Capital Management

The primary objectives of the Bank's capital management are to ensure that it complies with externally imposed capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made to the Bank's capital management objectives, policies and processes as of December 31, 2024 and 2023.



Capital Allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risks associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken by the ExeCom.

Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision-making. Also taken into account are synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the BOD.

The issuance of BSP Circular No. 639 covering the ICAAP in 2009 supplements the BSP's risk-based capital adequacy framework under Circular No. 538. In compliance with this Circular, the Parent Bank has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. 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 Parent Bank. The level and structure of capital are assessed and determined in light of the Parent Bank's business environment, plans, performance, risks and budget, as well as regulatory edicts.

The Parent Bank submitted its annually updated ICAAP document, in compliance with BSP requirements on March 27, 2024. The document disclosed that the Parent Bank has an appropriate level of internal capital relative to the Group's risk profile.

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 capital) as reported to the BSP. This is determined on the basis of regulatory accounting policies which differ from PFRS in some respects.

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00%. Qualifying capital and risk-weighted assets are computed based on BSP regulations. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by deposit hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the MB of the BSP.

On August 4, 2006, the BSP, under Circular No. 538, issued the prescribed guidelines implementing the revised risk-based capital adequacy framework for the Philippine banking system to conform to Basel II capital adequacy framework. The new BSP guidelines took effect on July 1, 2007. Thereafter, banks were required to compute their capital adequacy ratio (CAR) using these guidelines.

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on ratings by Standard & Poor's, Moody's and Fitch, while PhilRatings were used on peso-denominated exposures to Sovereigns, MDBs, Banks, Local Government Units, Government Corporations and Corporates.



On January 15, 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The Circular took effect on January 1, 2014.

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

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the Circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

On April 28, 2020, the BSP issued BSP Memorandum No. M-2020-34 *Relaxation in the Credit Risk Weight for Loans to MSMEs under the BSP's Risk-Based Capital Adequacy Framework*, which provides temporary relaxation in the assigned credit risk weight for loans to micro, small and medium enterprises (MSMEs) for purposes of computing compliance with the BSP's Risk-Based Capital Adequacy Frameworks.

The following exposures to MSMEs, as defined under Basel III shall be assigned a credit risk weight of 50 percent:

- a. MSME exposures that meet the criteria of qualified MSME portfolio, and
- b. Current MSME exposures that do not qualify as a highly diversified MSME portfolio

The foregoing provision under BSP Memorandum No. M-2020-34 shall apply until December 31, 2021. However, it was extended until December 31, 2023 by the subsequent issuance of BSP Memorandum No. M-2022-004 *Extension of BSP Prudential Relief Measures* and further extended until June 30, 2023 by the subsequent issuance of BSP Memorandum No. M-2022-041 *Extension of BSP Prudential Relief Measure on the Relaxation in the Credit Risk Weight for Loans to MSMEs under the BSP's Risk-Based Capital Adequacy Frameworks*.

The Bank has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.



The CAR of the Bank as reported to the BSP December 31, 2024 and 2023 are shown in the tables below (amounts in thousands).

	2024	2023
CET 1 capital	₱15,200,490	₱13,413,236
Additional Tier 1 capital	2,164	2,164
Tier 1 capital	15,202,654	13,415,400
Tier 2 capital	1,297,405	1,086,362
Total qualifying capital	16,500,059	14,501,762
Risk weighted assets	₱137,133,334	₱115,170,904
CET 1 capital ratio	11.08%	11.65%
Tier 1 capital ratio	11.09%	11.65%
Capital adequacy ratio	12.03%	12.59%

The regulatory qualifying capital of the Bank consists of Tier 1 (core) capital, which comprises of paid-up common stock, DFFS, hybrid capital securities, deficit including results of current year operations, surplus reserves and non-controlling interest less required deductions such as unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI), deferred income tax, and goodwill. Certain adjustments are made to PFRS-based results and reserves, as prescribed by the BSP. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes general loan loss provision and appraisal increment authorized by the MB.

On October 9, 2014, the BSP issued BSP Circular No. 854 which amends the provisions of the Manual of Regulations for Banks on the minimum capitalization of banks and on the prerequisites for the grant of authority to establish a branch. Based on this Circular, the Bank is required to maintain a minimum capitalization of ₱2.00 billion.

Leverage Ratio

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

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

	2024	2023
Tier 1 Capital	₱15,202,654	₱13,415,400
Exposure Measure	187,937,207	156,692,322
Leverage Ratio	8.09%	8.56%

Liquidity Coverage Ratio

On February 18, 2016, the BSP issued Circular No. 905 approving the liquidity standards, which include guidelines on liquidity coverage ratio (LCR), and LCR disclosure standards that are consistent with the Basel III framework. Banks are required to adopt Basel 'II's Liquidity Coverage



Ratio (LCR) aimed at strengthening the short-term liquidity position of banks. This requires banks to have available High Quality Liquid Assets (HQLA) to meet anticipated net cash outflow for a 30-day period under stress conditions. The standard prescribes that, under a normal situation, the value of the liquidity ratio be no lower than 100% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against potential onset of liquidity stress. As of December 31, 2024 and 2023, the LCR of the Bank as reported to the BSP, in single currency is 119.89% and 132.20%, respectively.

Net Stable Funding Ratio

On May 24, 2018, the BSP issued Circular No. 1007 which approved the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio (NSFR). Banks are required to adopt Basel 'II's NSFR aimed to promote long-term resilience of banks against liquidity risk. Banks shall maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. The NSFR complements the LCR, which promotes short-term resilience of a Bank's liquidity profile. As of December 31, 2024 and 2023, the NSFR of the Bank as reported to the BSP is 122.00% and 123.01%, respectively.

19. Miscellaneous Income and Expenses

Miscellaneous income comprises the following:

	2024	2023	2022
Recovery on charged off assets	₱166,850,350	₱145,026,793	₱48,569,818
Bancassurance activities (Note 23)	51,316,372	42,539,804	48,543,831
Net foreign exchange gain	1,894,163	2,487,346	2,241,834
Dividends	—	919,149	—
Others	41,903,352	22,489,090	15,517,597
	₱261,964,237	₱213,462,182	₱114,873,080

Others include income from the issuance of letters of credits and various non-recurring income transactions.

Miscellaneous expenses consist of:

	2024	2023	2022
Supervision and administrative expenses	₱73,883,162	₱60,997,447	₱51,764,839
Repairs and maintenance fees	46,258,168	44,235,428	28,550,148
Fines, penalties, and other charges	33,508,707	35,001,307	87,021,886
Advertising	18,841,816	21,369,444	27,866,395
Athletic or cultural expenses	5,637,506	2,113,738	2,537,899
Clearing and processing fees	3,506,525	3,477,824	3,432,902
Membership fees and dues	975,092	688,105	532,465
Others	266,705,357	208,178,279	189,629,142
	₱449,316,333	₱376,061,572	₱391,335,676

Supervision and administrative fees include BSP supervision and PDIC fees, and support operation service expenses.

Others pertain mainly to membership fees and dues, internal meeting expenses, printing and various non-recurring expenses.



20. Retirement Plan

The Bank has two separate funded noncontributory defined benefit retirement plans, which are being managed by the trust department of CBC (Note 23). These retirement plans cover all the Bank's officers and regular employees who are entitled to cash benefits after satisfying certain age and service requirements.

The Bank's annual contribution to the retirement plan consists of a payment covering the current service cost, unfunded actuarial accrued liability and interest on such unfunded actuarial liability.

The latest actuarial valuation study of the retirement plans was made as of December 31, 2024. The principal actuarial assumptions as of December 31, 2024 and 2023 used in determining the retirement obligation for the Bank's retirement plans are shown below:

	2024	2023
Discount rate	5.91%	5.96%
Salary increase rate	6.00%	6.00%

As of December 31, 2024 and 2023, retirement asset is comprised of the following:

	2024	2023
Fair value of plan assets	₱696,938,713	₱618,989,924
Present value of defined benefit obligation	647,138,193	549,605,090
Net defined benefit asset (Note 13)	₱49,800,520	₱69,384,834



The movements in the defined retirement asset, present value of defined benefit obligation and fair value of plan assets follow:

2024													
	Net benefit cost					Remeasurements in other comprehensive income							
	January 1, 2024	Current service cost	Net interest	Gain/Loss due to settlement	Net pension expense*	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in demographic assumptions	Changes in remeasurement gains	Contribution by employer	December 31, 2024
	(a)	(b)	(c)	(d)	(e) = b + c + d	(f)	(g)	(h)	(i)	(j)	(k) = g + h + i + j	(l)	(m) = a + e + f + k + l
Fair value of plan assets	₱618,989,924	₱–	₱36,891,799	₱–	₱36,891,799	(₱30,758,148)	₱26,578,339	₱–	₱–	₱–	₱26,578,339	₱45,236,799	₱696,938,713
Present value of defined benefit obligation	549,605,090	82,729,924	32,756,463	–	115,486,387	(30,758,148)	–	(2,272,486)	1,449,025	13,628,325	12,804,864	–	647,138,193
Net defined benefit asset	₱69,384,834	(₱82,729,924)	₱4,135,336	₱–	(₱78,594,588)	₱–	₱26,578,339	₱2,272,486	(₱1,449,025)	(₱13,628,325)	₱13,773,475	₱45,236,799	₱49,800,520

2023													
	Net benefit cost					Remeasurements in other comprehensive income							
	January 1, 2023	Current service cost	Net interest	Gain/Loss due to settlement	Net pension expense*	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in demographic assumptions	Changes in remeasurement gains	Contribution by employer	December 31, 2023
	(a)	(b)	(c)	(d)	(e) = b + c + d	(f)	(g)	(h)	(i)	(j)	(k) = g + h + i + j	(l)	(m) = a + e + f + k + l
Fair value of plan assets	₱564,907,419	₱–	₱36,831,964	₱–	₱36,831,964	(₱31,985,147)	(₱23,921,043)	₱–	₱–	₱–	(₱23,921,043)	₱73,156,731	₱618,989,924
Present value of defined benefit obligation	451,611,180	68,847,617	29,445,049	–	98,292,666	(31,985,147)	–	18,498,931	12,929,584	257,876	31,686,391	–	549,605,090
Net defined benefit asset	₱113,296,239	(₱68,847,617)	₱7,386,915	₱–	(₱61,460,702)	₱–	(₱23,921,043)	(₱18,498,931)	(₱12,929,584)	(₱257,876)	(₱55,607,434)	₱73,156,731	₱69,384,834

*Presented under Compensation and fringe benefits in the statements of income.

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.



The Bank expects to contribute ₱82.03 million to its defined retirement plan in 2025.

The carrying values of total plan assets which approximate their fair values as of the end of the reporting periods are as follows (in thousands):

	2024	2023
Cash and cash equivalents (Note 23)	₱98	₱268
Government and corporate debt instruments	437,346	387,297
Equity securities	154,619	174,537
Investment in Unit Investment Trust Fund (UITF)	100,831	53,668
Accrued interest receivable	6,465	5,287
Other accountabilities	(2,420)	(2,067)
	₱696,939	₱618,990

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

	2024	2023
Discount rate		
1.00%	(₱29,687)	(₱22,213)
(1.00%)	34,628	27,113
Salary increase rate		
1.00%	33,177	26,015
(1.00%)	(29,165)	(21,863)

Shown below is the maturity analysis of the undiscounted benefit payments (in thousands):

	2024	2023
Less than five years	₱239,178	₱149,478
More than five years to ten years	657,260	645,020
More than ten years to fifteen years	682,982	661,767
More than fifteen years to twenty years	1,453,424	1,282,602
More than twenty years	12,855,741	11,310,935

The average duration of the defined benefit obligation as at December 31, 2024 and 2023 is 7 and 6 years respectively.

21. Lease Contracts

Bank as lessee

The Bank leases the premises occupied by its branches. The lease contracts are for periods ranging from one (1) to forty (40) years from the dates of contracts and are renewable under certain terms and conditions. Various lease contracts include escalation clauses, which generally bear an annual rent increase ranging from 5.00% to 15.00%.



The rollforward analysis of lease liabilities follows:

	2024	2023
Balance at beginning of year	₱765,254,637	₱561,976,219
Additions	244,843,515	413,520,745
Interest expense	61,370,207	52,212,642
Payments	(286,796,349)	(262,454,969)
Balance at end of year	₱784,672,010	₱765,254,637

Expenses related to short-term leases amounting to ₱161.38 million in 2024, ₱152.22 million in 2023 and ₱145.33 million in 2022, respectively, are included in the 'Occupancy costs'.

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

	2024	2023
Within one year	₱17,735,275	₱16,455,235
After one year but not more than five years	615,862,786	575,269,561
After more than five years	273,959,081	193,332,286
	₱907,557,142	₱785,057,082

Bank as lessor

The Bank has also entered into commercial property leases on its investment properties, most of which are with related parties (Note 23). These non-cancelable leases have remaining lease terms of between one to ten years.

Future minimum rentals receivable under non-cancelable operating leases follows:

	2024	2023
Within one year	₱43,998,394	₱8,222,601
After one year but not more than five years	14,394,310	28,212,389
After more than five years	—	—
	₱58,392,704	₱36,434,990

22. Income and Other Taxes

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

Republic Act (RA) No. 9337, *An Act Amending National Internal Revenue Code*, as amended by RA 10963 otherwise known as the Tax Reform For Acceleration and Inclusion (TRAIN) and RA 11534 otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (CREATE), provides that regular corporate income tax (RCIT) shall be 25.00% while interest expense allowed as a deductible expense is reduced by 20.00% of interest income subject to final tax



A minimum corporate income tax (MCIT) of 2.00% effective July 01, 2023, under CREATE on modified gross income is computed and compared with the RCIT. Any excess MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, the NOLCO is allowed as a deduction from taxable income in the next three years from the year of inception. In addition, under RA 11494, also known as the Bayanihan to Recover as One Act, the net operating loss of the business or enterprise for taxable years 2020 and 2021 shall be carried over as deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Effective in May 2004, RA No. 9294 restored the tax exemption of FCDUs and offshore banking units (OBUs). Under such law, the income derived by the FCDU from foreign currency transactions with nonresidents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% gross income tax.

Interest income on deposit placements with other FCDUs and OBUs is taxed at 15.00% effective January 1, 2018, while all other income of the FCDU is subject to the 25.00% corporate tax.

Relevant Tax Updates

TRAIN Law

RA No. 10963, the Tax Reform for Acceleration and Inclusion (TRAIN), is the first package of the comprehensive tax reform program of the government. The bill was signed into law on December 19, 2017 and took effect on January 1, 2018, amending some provisions of the old Philippine tax system.

Except for resident foreign corporations, which is still subject to the existing rate of 7.5%, tax on interest income of foreign currency deposit was increased to 15% under TRAIN. Documentary stamp tax on bank checks, drafts, certificate of deposit not bearing interest, all debt instruments, bills of exchange, letters of credit, mortgages, deeds and others are now subjected to a higher rate.

CREATE Law

RA 11534 otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) was signed into law by President Rodrigo Duterte last March 26, 2021. The law became effective on April 11, 2021, fifteen (15) days after its publication in a newspaper of general circulation on March 27, 2021.

The Bank applied the provisions of the CREATE Act on its income tax payable, deferred tax assets and deferred tax liabilities as of December 31, 2020.

There were no tax-related contingent liabilities and contingent assets arising from the changes in the tax rates due to CREATE Act.

RR 4-2011

On March 15, 2011, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 4-2011 which prescribed the attribution and allocation of expenses between FCDUs/EFCDUs or OBU and RBU and within RBU. In 2015, the Parent Bank and other member banks of the BAP, filed a case questioning the validity of the said RR. On May 10, 2022, the Supreme Court Decision ruled that RR No. 4-2011 is invalid and void.



Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulations, EAR expense allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the Bank's net revenue.

Provision for income tax consists of:

	2024	2023	2022
Current			
RCIT	₱121,032,569	₱172,796,391	₱210,882,263
Final tax	374,825,272	275,839,900	112,617,769
	495,857,841	448,636,291	323,500,032
Deferred	(235,266,906)	(141,571,529)	(177,507,906)
	₱260,590,935	₱307,064,762	₱145,992,126

Components of net deferred tax asset are as follows:

	2024	2023
Deferred tax asset on		
Allowance for impairment and credit losses of financial and other assets	₱1,268,317,645	₱1,139,841,097
Unamortized service fee income	403,536,747	290,594,511
Accumulated depreciation and allowance for impairment of investment properties	169,157,298	188,262,861
Lease liabilities net of ROU assets	23,938,158	21,532,672
	1,864,949,848	1,640,231,141
Deferred tax liability on		
Fair value adjustment on investment property	(123,825,583)	(126,144,567)
Retirement asset	(12,450,130)	(17,346,209)
Accrued lease receivable	(1,469,938)	(1,359,705)
	(137,745,651)	(144,850,481)
	₱1,727,204,197	₱1,495,380,660

Provision for deferred tax charged directly to OCI amounted to ₱3.44 million and ₱11.90 million in 2024 and 2023, respectively.

The Bank did not set up deferred tax assets on the temporary differences arising from allowance for impairment and credit losses of financial and other assets amounting to ₱0.25 billion and ₱1.00 billion in 2024 and 2023, respectively, as it believes that it is highly probable that these temporary differences will not be realized in the near foreseeable future.



The reconciliation between the statutory income tax and effective income tax follows:

	2024	2023	2022
Statutory income tax	₱607,777,057	₱533,722,542	₱430,736,347
Tax effects of			
Movement in unrecognized deferred tax assets	(57,955,884)	(38,367,357)	(44,359,508)
Nontaxable and tax-paid income	(418,737,769)	(281,142,753)	(294,723,686)
Nondeductible expenses	132,103,305	96,554,369	59,057,536
FCDU income	(2,595,774)	(3,702,039)	(4,718,563)
Effective income tax	₱260,590,935	₱307,064,762	₱145,992,126

23. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Bank's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- significant investors;
- associates; and
- post-employment benefit plans for the benefit of the Bank's employees.

Generally, the related party transactions are settled in cash. There are no provisions for credit losses in 2024 and 2023 in relation to amounts due from related parties.

Transactions with Retirement Plans

The Trust Department of the Parent Bank manages the retirement plans of the Bank. The total fair value of the retirement fund as of December 31, 2024 and 2023 amounted to ₱696.94 million and ₱618.99 million, respectively. The details of the assets of the fund as of December 31, 2024 and 2023 are disclosed in Note 20.

Significant transactions of the retirement fund, particularly with related parties, are approved by the Retirement Committee (RC) of the Bank. The members of the RC are directors and key management personnel of the Bank.

As of December 31, 2024, cash and cash equivalents of the retirement plan amounting to ₱0.10 million are held by the Bank and earn an annual interest rate of 0.13%. As of December 31, 2023, cash and cash equivalents of the retirement plan amounting to ₱0.27 million are held by the Bank and earn an annual interest rate of 0.13%.

Interest income on the retirement plan's cash and cash equivalents amounted to ₱0.01 million and ₱0.20 million in 2024 and 2023, respectively.



Remunerations of Directors and other Key Management Personnel

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

The compensation of key management personnel included under ‘Compensation and benefits’ in the statement of income are as follows (in thousands):

	2024	2023	2022
Short-term employee benefits	₱40,577	₱40,162	₱46,702
Post-employment benefits	1,761	1,647	1,537
	₱42,338	₱41,809	₱48,239

In 2024, 2023 and 2022, no remunerations were given to the directors of the Bank who are also occupying key management positions with the Parent Bank.

The Bank also provides banking services to key management personnel and persons connected to them. These transactions are presented in the tables below.

December 31, 2024			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Key Management Personnel			
Loans and receivables		₱2,236,090	These are loans with an average interest rate of 5.00% and unimpaired.
Issuances	₱—		
Repayments	(424,843)		
Deposit liabilities		122,895,920	These are savings and time deposit accounts with average annual interest rates of 0.17% and 5.24%, respectively.
Deposits	37,073,049		
Withdrawals	(6,558,659)		
Other Related Party			
Deposit liabilities		257,173,994	These are savings and time deposit accounts with average annual interest rate of 0.13% and 5.00%, respectively.
Deposits	44,796,998		
Withdrawals	(61,969,008)		
December 31, 2023			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Key Management Personnel			
Loans and receivables		₱2,660,933	These are loans with an average interest rate of 5.00% and unimpaired.
Issuances	₱—		
Repayments	(404,220)		
Deposit liabilities		92,381,530	These are savings and time deposit accounts with average annual interest rates of 0.14% and 5.32%, respectively.
Deposits	36,415,283		
Withdrawals	(37,985,407)		
Other Related Party			
Deposit liabilities		274,346,004	These are savings and time deposit accounts with average annual interest rate of 0.14% and 5.32%, respectively.
Deposits	22,751,964		
Withdrawals	(17,612,867)		

As of December 31, 2024 and 2023, all loans to related parties are secured and no provision for credit losses was recorded.



Interest income earned and interest expense incurred from the above loans and deposit liabilities, respectively, for the years ended December 31, 2024, 2023 and 2022 are as follows:

	2024	2023	2022
Interest income	₱122,426	₱143,152	₱162,471
Interest expense	5,561,033	4,535,775	4,810,311

Related party transactions of the Bank with the Parent Bank and affiliates are as follows:

	Parent Bank		Nature, Terms and Conditions
	2024	2023	
Statements of Financial Position			
Due from other banks	₱948,657,949	₱983,522,118	This pertains to cash in bank deposited with CBC that bears annual interest rates ranging from 0.05% to 0.13%.
Net movements	(34,864,169)	276,316,394	
Accounts receivable	1,001,793	1,148,687	This pertains to receivable from CBC for unpaid rentals.
Security deposit	9,109,809	8,794,189	This pertains to the rental deposits for office space leased out to CBC.

	Parent Bank			Nature, Terms and Conditions
	2024	2023	2022	
Statements of Income				
Interest income	₱1,067,410	₱949,017	₱621,038	This pertains to interest income earned from cash in bank deposited with CBC and loans and receivable
Income from property rentals	41,040,646	39,168,377	37,267,241	Certain units of the properties owned by the Bank are being leased to CBC for a term ranging from 3 to 5 years, with an annual escalation rate of 5%.

	Other Related Party		Nature, Terms and Conditions
	2024	2023	
Statements of Financial Position			
Accounts payable	₱51,670,962	₱49,170,434	These are non-interest-bearing insurance premiums held on behalf of loan borrowers to be subsequently remitted to CIBI.
Security deposit	1,872,372	2,159,801	These pertain to rental deposits for office space leased out to CIBI.

	Other Related Parties			Nature, Terms and Conditions
	2024	2023	2022	
Statements of Income				
Income from property rentals	₱8,814,517	₱8,394,778	₱7,995,026	Certain units of the properties owned by the Bank are being leased to CIBI for a term of 5 years, with 5% annual escalation clause.
Miscellaneous income	51,316,372	42,539,804	48,543,831	Bancassurance fees earned based on successful referrals.
Data processing and information technology	15,312,314	14,037,336	17,847,329	This pertains to the computer and general banking services provided by CBC-PCCI to the Bank to support its reporting requirements.



Outright purchases and outright sale of debt securities of the Bank with CBC are as follows:

	2024	2023	2022
Outright purchase	₱1,226,705,801	₱21,267,253,155	₱2,839,425,949
Outright sale	(659,315,012)	—	—

As of December 31, 2024, government securities with par value of ₱260.00 million and carrying value of ₱259.60 million are pledged to CBC in compliance with DOSRI rules.

As of December 31, 2023, government securities with par value of ₱260.00 million and carrying value of ₱259.04 million are pledged to CBC in compliance with DOSRI rules.

As of December 31, 2024 and 2023, the number of common shares held by the Parent Bank is 115.00 million. The Parent Bank does not hold preferred shares of the Bank in 2024 and 2023.

24. Commitments and Contingencies

In the normal course of the Bank's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. Management does not anticipate any material losses as a result of these transactions.

The Bank has several suits and claims that remain unsettled. It is not practicable to estimate the potential financial statement impact of these contingencies. However, in the opinion of management, the suits, and claims, if decided adversely, will not involve sums having a material effect on the financial statements.

Commitments and contingencies

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

	2024	2023
Credit lines	₱2,278,812,983	₱1,606,914,018
Standby domestic letters of credit	53,675,556	82,681,021
Late deposits/payments received	3,661,569	18,430,808
Outward bills for collection	2,116,827	2,026,255
Others	231,924	438,133
	₱2,338,498,859	₱1,710,490,235



25. Notes to Statements of Cash Flows

The following is a summary of non-cash activities:

	2024	2023	2022
Non-cash operating activities			
Recognition of investment properties from foreclosure of real estate mortgage on loans and receivables (Note 11)	₱397,609,282	₱587,491,148	₱515,686,504
Recognition of NCAHS arising from foreclosure of chattel mortgage on loans and receivables (Note 9)	1,004,896,274	437,485,346	378,017,211
Remeasurement losses (gains) on retirement plan (Note 20)	13,773,475	(55,607,434)	(4,732,575)
Non-cash investing activities			
Fair value gains (losses) on financial assets at FVOCI	(21,549,344)	71,053,463	(128,766,030)
Non-cash financing activities			
Additions of right-of-use assets and lease liabilities	(244,843,515)	(413,520,745)	(122,355,434)

26. Offsetting of Financial Assets and Liabilities

PFRS 7 requires the Bank to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements as of December 31, 2023 are disclosed in the succeeding table (amounts in thousands). There were no outstanding financial instruments as of December 31, 2024 that are subject to offsetting arrangements.

	December 31, 2023				
	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria	Net exposure [c-d]
Financial assets recognized at end of reporting period by type	[a]	[b]	[c]	[d]	[e]
Financial assets					
SPURA (Note 6)	₱3,644,596	₱–	₱–	₱3,644,596	₱–

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency, or bankruptcy. This includes amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

27. Business Combination

In accordance with PIC Q&A 2012-01, the Bank elected to use the ‘pooling of interests’ method in accounting for its merger with PDB and Unity Bank in 2015 and 2014, respectively.



Merger with PDB

On June 26, 2014, the BOD approved the merger of the Bank with PDB. The terms of the Plan and Articles of Merger were approved by the Bank's stockholders in their meeting held on August 14, 2014, with the Bank as the surviving entity.

On June 25, 2015, the MB, in its Resolution Nos. 789 and 1559, approved the Plan and Articles of Merger of the Bank and PDB subject to certain conditions. On December 17, 2015, the Bank obtained approval from the SEC for the merger to be effective. The actual merger took place on December 31, 2015. As of the effective date of merger, all common and preferred shares of PDB have been converted into fully paid China Bank Savings common shares totaling to 16,501,093 shares. The Bank recognized 'Other equity reserves' amounting to ₱1.94 billion as a result of the merger with PDB.

Merger with Unity Bank

On June 6, 2013, the BOD approved the merger of the Bank with Unity Bank. The terms of the Plan of Merger were approved by the Bank's stockholders in their meeting held on July 18, 2013 with the Bank as the surviving entity. On November 22, 2013, the MB, in its Resolution No. 1949, approved the Plan of Merger and Articles of Merger of the Bank and Unity Bank subject to certain conditions. On January 20, 2014, the Bank obtained approval from the SEC for the merger to be effective. Under the approved plan of merger, all the issued and outstanding common stocks of Unity Bank ("Unity shares"), as well as shares that have been subscribed but have not been issued or covered by Stock Purchase Agreement, shall be convertible into fully paid and non-assessable common stock of CBS at the approximate ratio of 1.144 Unity Bank common shares for every CBS common share (the "Exchange Ratio"). The actual merger took place on January 31, 2014. The Bank issued 5,173,881 common shares and recognized 'Other equity reserves' amounting to ₱303.96 million as a result of the merger with Unity Bank.

28. Approval of the Release of Financial Statements

The accompanying financial statements were authorized for issue by the Bank's BOD on March 20, 2025.

29. Supplementary Information Required Under BSP Circular No. 1074

Presented below is the supplementary information required by BSP under Appendix 55 of BSP Circular No. 1074 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

Basic quantitative indicators of financial performance

The following basic ratios measure the financial performance of the Bank:

	2024	2023	2022
Return on average equity (ROE)	12.96%	12.84%	13.06%
Return on average asset (ROA)	1.25%	1.30%	1.44%
Net interest margin over average earning assets (NIM)*	5.04%	5.47%	6.61%

*Had the Bank excluded the interest expense on lease liabilities, NIM is 5.08%, 5.51% and 6.65% for the years ended December 31, 2024, 2023 and 2022, respectively.



Description of capital instruments issued

As of December 31, 2024 and 2023, the Bank has two classes of capital stock, 6 million authorized preferred shares and 134 million authorized common shares.

As of December 31, 2024, the Bank's capital stock consists of:

	Shares	Amount
Preferred stock – ₱100 par value		
Balance at beginning and end of year	21,642	₱2,164,200
Common stock – ₱100 par value		
Balance at beginning and end of year	115,414,149	11,541,414,900
	115,435,791	₱11,543,579,100

Significant credit exposures

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

	2024						
	Loans and receivables	%	Other financial assets*	%	Off-balance sheet exposures	%	Total
Consumer	₱88,228,255	64.37	₱1,039,422	2.26	₱–	–	₱89,267,677
Government	–	–	40,314,347	87.63	–	–	40,314,347
Real estate, renting and business services	34,996,850	25.53	412,300	0.90	239,031	10.22	35,648,181
Wholesale and retail trade	2,560,163	1.87	30,161	0.07	166,116	7.10	2,756,440
Agriculture	3,513,582	2.56	41,394	0.09	8,000	0.34	3,562,976
Financial intermediaries	202,818	0.15	2,339,166	5.08	1,049	0.04	2,543,033
Manufacturing	2,054,205	1.50	24,201	0.05	170,048	7.27	2,248,454
Electricity, gas, steam and air- conditioning supply	1,401,411	1.02	16,510	0.04	5,000	0.21	1,422,921
Transportation, storage and communication	1,229,412	0.90	14,484	0.03	4,004	0.17	1,247,900
Construction	655,084	0.48	7,718	0.02	56,683	2.42	719,485
Hotels and restaurant	581,082	0.42	6,846	0.01	–	–	587,928
Health and social work	540,657	0.39	6,370	0.01	–	–	547,027
Education	492,459	0.36	5,802	0.01	450	0.02	498,711
Other community, social and personal services	233,277	0.17	2,748	0.01	–	–	236,025
Others	373,780	0.28	1,743,128	3.79	1,688,118	72.19	3,805,026
Total	137,063,035	100.00	46,004,597	100.00	2,338,499	100.00	185,406,131
Allowance for impairment and credit losses	(3,372,780)		(741,563)		–		(4,114,343)
Net	₱133,690,255		₱45,263,034		₱2,338,499		₱181,291,788

* Other financial assets include the following: due from BSP, due from other banks, SPURA, financial assets at FVPL, financial assets at FVOCI, investments securities at amortized cost and other financial assets.



	2023						
	Loans and receivables	%	Other financial assets*	%	Off-balance sheet exposures	%	Total
Consumer	₱70,166,344	61.75	₱886,920	2.27	₱—	—	₱71,053,264
Government	—	—	33,644,577	86.27	—	—	33,644,577
Real estate, renting and business services	31,051,589	27.33	392,500	1.01	43,396	2.54	31,487,485
Wholesale and retail trade	2,172,497	1.91	27,461	0.07	232,867	13.61	2,432,825
Agriculture	2,548,760	2.24	32,217	0.08	8,000	0.47	2,588,977
Financial intermediaries	202,856	0.18	2,204,272	5.65	—	—	2,407,128
Manufacturing	1,758,285	1.55	22,225	0.06	70,244	4.11	1,850,754
Electricity, gas, steam and air- conditioning supply	1,550,635	1.36	19,600	0.05	16,250	0.95	1,586,485
Transportation, storage and communication	1,293,598	1.14	16,351	0.04	9,821	0.57	1,319,770
Construction	746,080	0.66	9,431	0.02	28,850	1.69	784,361
Hotels and restaurant	567,718	0.50	7,176	0.02	—	—	574,894
Health and social work	549,828	0.48	6,950	0.02	—	—	556,778
Education	349,380	0.31	4,416	0.01	—	—	353,796
Other community, social and personal services	314,367	0.28	3,974	0.01	—	—	318,341
Others	358,615	0.31	1,675,889	4.42	1,301,062	76.06	3,335,566
Total	113,630,552	100.00	38,953,959	100.00	1,710,490	100.00	154,295,001
Allowance for impairment and credit losses	(3,315,450)		(862,335)		—		(4,177,785)
Net	₱110,315,102		₱38,091,624		₱1,710,490		₱150,117,216

* Other financial assets include the following: due from BSP, due from other banks, SPURA, financial assets at FVOCI, investments securities at amortized cost and other financial assets.

Status of loans

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

	2024			2023		
	Performing	Non-Performing	Total	Performing	Non-Performing	Total
Loans and discounts						
Consumer lending	₱117,940,129,892	₱2,542,652,865	₱120,482,782,757	₱95,185,088,073	₱2,224,027,497	₱97,409,115,570
Corporate and commercial lending	13,626,937,587	1,336,297,348	14,963,234,935	13,071,360,232	1,527,657,543	14,599,017,775
Others	9,334,552	3,093,637	12,428,189	7,275,525	3,113,443	10,388,968
	₱131,576,402,031	₱3,882,043,850	₱135,458,445,881	₱108,263,723,830	₱3,754,798,483	₱112,018,522,313

Loans per security

Information on the amounts of secured and unsecured loans and receivables (gross of allowance for credit losses) follows:

	2024		2023	
	Amounts	%	Amounts	%
Loans secured by				
Real estate	₱40,278,903,761	29.39	₱34,465,872,317	30.33
Chattel mortgage	22,787,488,305	16.63	16,935,964,022	14.90
Deposit hold out and others	387,329,489	0.28	329,301,727	0.29
	63,453,721,555	46.30	51,731,138,066	45.53
Unsecured loans	73,609,313,015	53.70	61,899,414,348	54.47
	₱137,063,034,570	100.00	₱113,630,552,414	100.00



As of December 31, 2024 and 2022, secured and unsecured NPLs of the Bank follow:

	2024	2023
Secured	₱1,765,482,274	₱1,814,560,294
Unsecured	2,116,561,576	1,940,238,189
	₱3,882,043,850	₱3,754,798,483

Restructured loans as of December 31, 2024 and 2023 amounted to ₱1.11 billion and ₱593.41 million, respectively. The Bank's loan portfolio includes non-risk loans as defined under BSP regulations totaling ₱13.93 billion and ₱9.99 billion as of December 31, 2024 and 2023, respectively.

According to BSP Circular 941 *Amendments to the Regulations on Past Due and Non-Performing Loans* effective January 1, 2018, loans 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 ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

Secured liability and assets pledged as security

As of December 31, 2024 and 2023, the Bank has no liability that is secured by pledged assets.

Related party loans

As required by the BSP, the Bank discloses loan transactions with its and affiliates and investees and with certain DOSRI. Under existing banking regulations, the limit on the amount of individual loans to DOSRI, of which 70.00% must be secured, should not exceed the regulatory capital or 15.00% of the total loan portfolio, whichever is lower. These limits do not apply to loans secured by assets considered as non-risk as defined in the regulations.

BSP Circular No. 423, dated March 15, 2004, amended the definition of DOSRI accounts. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said Circular:

	2024		2023	
	DOSRI Loans	Related Party Loans (inclusive of DOSRI Loans)	DOSRI Loans	Related Party Loans (inclusive of DOSRI Loans)
Total outstanding DOSRI loans*	₱958,186,711	₱1,443,053,958	₱991,373,501	₱1,007,524,559
Percent of DOSRI/Related Party loans to total loan portfolio**	0.71%	1.06%	0.86%	0.87%
Percent of unsecured DOSRI/Related Party loans to total loan portfolio	0.35%	0.23%	0.17%	0.17%
Percent past due DOSRI/Related Party loans to total loan portfolio	—	—	—	—
Percent of non-performing DOSRI/Related Party loans to total loan portfolio	—	—	—	—

* Includes deposits with CBC

** Total loan portfolio includes deposits with Parent Bank



The amounts of loans disclosed for related parties above differ with the amounts disclosed for key management personnel since the composition of DOSRI is more expansive than that of key management personnel.

BSP Circular No. 560 provides that the total outstanding loans, other credit accommodation and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi-bank, 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/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank.

On May 12, 2009, BSP issued Circular No. 654 allowing a separate individual limit of twenty-five (25.00%) of the net worth of the lending bank/quasi-bank to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation.

Commitments and contingencies

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

	2024	2023
Credit lines	₱2,278,812,983	₱1,606,914,018
Standby domestic letters of credit	53,675,556	82,681,021
Late deposits/payments received	3,661,569	18,430,808
Outward bills for collection	2,116,827	2,026,255
Others	231,924	438,133
	₱2,338,498,859	₱1,710,490,235

30. Supplementary Information Required Under Revenue Regulations 15-2010

In compliance with the requirements set forth by Revenue Regulations 15-2010, hereunder are the details of percentage and other taxes paid or accrued by the Bank in 2024.

Taxes and Licenses

Gross receipts tax	₱652,328,316
Local taxes	55,595,644
Others	5,266,991
	₱713,190,951



Withholding Taxes

Details of total remittances of withholding taxes in 2024 and amounts outstanding as of December 31, 2024 are as follows:

	Total Remittances	Amounts Outstanding
Final withholding taxes	₱1,015,557,015	₱99,779,872
Withholding taxes on compensation and benefits	129,280,346	8,316,208
Expanded withholding taxes	91,770,687	4,969,190
	₱1,236,608,048	₱113,065,270

Tax assessments

The Bank has no pending tax case as of December 31, 2024.

