BDO Private Bank

2024 ANNUAL REPORT FINANCIAL SUPPLEMENTS

THE WAY FORWARD

BDO PRIVATE BANK 2024 ANNUAL REPORT
FINANCIAL SUPPLEMENTS

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Corporate Profile

Our Corporate Vision

We aim to be the Philippines' preferred bank for high-net-worth clients. By curating their financial portfolios and managing the transition of their assets, we pave the way for our clients to grow and protect their wealth in ways that are purposeful and meaningful to them.

Our Corporate Mission

We are here to:

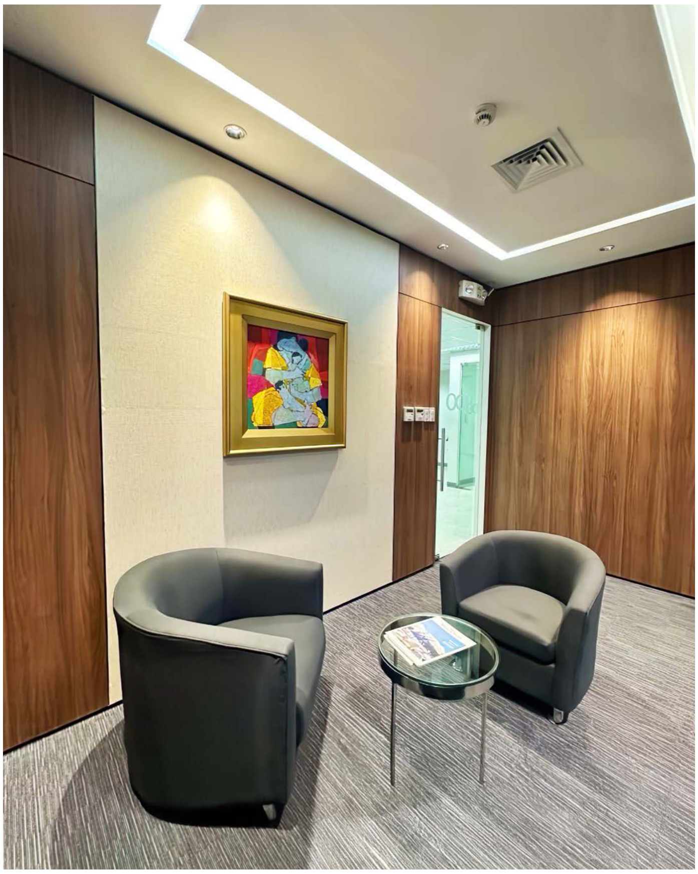
- Build long-term relationships with our clients that contribute to their sense of well-being and peace of mind.
- Provide innovative investment solutions that generate superior financial returns.
- Execute strategies aligned with the legacies our clients want to build.
- Find cost-effective ways to preserve and distribute our clients' wealth.

Our Core Values

Focus, attentiveness, and passion for service to our clients.

BDO's We Find Ways ethos is founded on these key principles.

Through our values, we navigate shifting markets, risk, and opportunities with agility. And as we build relationships rooted in the highest standards of discretion, fairness, and ethics, we earn our clients' trust.



Who We Are

BDO Private Bank is the Philippines' only bank dedicated to high-net-worth clients. We are licensed by the Bangko Sentral ng Pilipinas (BSP) as a commercial bank. We provide deposit and payment, asset management, lending, trust and estate planning, and asset administration services.

We operate a network of ten Private Banking Centers across Luzon, Visayas, and Mindanao.

We offer products on an open architecture model. Our clients have access to a wide range of securities and funds, in both Pesos and foreign currency, designed to match their investment needs and risk appetite.

BDO Private Bank has a strong balance sheet, and is a wholly-owned subsidiary of BDO Unibank, the Philippines' largest financial institution. As of December 31, 2024, BDO Private Bank had ₱637 billion of Assets Under Trust. The Bank also has a CET1 and CAR of 36.32% and 36.52%, respectively.

Summary Financial Review

(Amounts in Philippine Pesos)

	2024	2023
Profitability		
Total Net Interest Income	1,076,372,154	1,103,565,915
Total Non-interest Income	1,914,330,977	1,679,556,111
Total Non-interest Expenses	2,206,963,666	1,683,986,244
Profit before Tax	694,530,897	1,093,559,346
Allowance for (Reversal of) Credit Losses	89,208,568	5,576,436
Net Income	428,790,521	787,047,151
Selected Balance Sheet Data		
Liquid Assets	30,524,488,054	26,442,064,864
Gross Loans and Other Receivables	2,333,088,985	3,676,528,850
Total Assets	33,208,718,742	30,543,646,815
Deposits	20,093,712,649	18,983,039,324
Total Equity	7,385,418,317	6,971,925,643
Selected Ratios		
Return on Average Equity	6.00%	12.14%
Return on Average Resources	1.20%	2.21%
CET 1 Capital Ratio	36.32%	32.62%
Tier 1 Capital Ratio	36.32%	32.62%
Capital Adequacy Ratio	36.52%	32.83%
Per common share data		
Net Income per share:		
Basic	198.06	363.53
Diluted	198.06	363.53
Book Value	3,411.28	3,220.29
Others		
Cash Dividends Declared	—	—
Headcount		
Officers	313	254
Staff	9	9

Financial Statements

Report of the Board Audit Committee to the Board of Directors

FOR THE YEAR ENDED DECEMBER 31, 2024

Empowered by the Board to oversee the financial reporting process, internal control and risk management systems, internal and external audit functions, and compliance with applicable laws and regulations, the Board Audit Committee (BAC) discharged its oversight functions independently in accordance with its Terms of Reference which is annually reviewed and updated, when necessary. The BAC is composed of two (2) independent directors and one (1) non-executive director.[1] The BAC had five meetings in 2024.

In 2024, the BAC accomplished the following:

- **Financial Reporting**

  The Board Audit Committee (BAC) reviewed the Bank's quarterly unaudited and annual audited financial statements ensuring compliance with accounting standards and tax regulations. On February 15, 2024, it endorsed for Board approval the 2023 Audited Financial Statements, after assuring that appropriate internal controls related to the financial reporting process and compliance with accounting standards were observed. Based on its assessment, the BAC believes that the financial statements are fairly presented in conformity with the relevant financial reporting standards in all material aspects. The Board approved the Bank's audited financial statement on February 19, 2024 based on the BAC endorsement, and the financial statements were publicly disclosed on April 11, 2024, 101 days after the financial year-end. This demonstrates the Bank's commitment to transparency, accuracy, and adherence to the highest standards of corporate governance and financial reporting.

- **Internal Audit Function**

  The Board Audit Committee (BAC) reviewed and approved the 2024 Internal Audit Policy Statement and the risk-based audit plans for the various business units. This process included a thorough examination of the scope, changes to the plan, audit methodology, manpower resources, and key audit officer appointments. The BAC scrutinized the results of audits, focusing on high and moderate risk findings related to operational, financial, and compliance controls, as well as risk assessment systems and processes impacting financial, reputational, and information security.

  The BAC regularly tracked the timely resolution of audit findings and assessed the appropriateness and adequacy of Management's action plans to address key issues. It ensured the Internal Audit function's independence and unfettered access to all records, properties, and information.

  The Committee assessed the performance of the Chief Audit Executive and the internal audit function and concluded that both carried out their mandates effectively as provided in the Internal Audit Charter and that the internal audit function possesses adequate resources to perform its duties effectively.

[1] As of October 24, 2024, there was one (1) vacant Non-Executive Director seat in the Board Audit Committee.

- **External Audit**

  On April 5, 2024, the BAC approved and endorsed to the Board for approval, the renewal of the appointment of the external auditor, Punongbayan & Araullo, Grant Thornton (P&A). The BAC ensured the adequacy and appropriateness of P&A's scope of engagement, audit plans, composition of the engagement team and timelines of its 2024 audit activities and milestones.

  The BAC comprehensively reviewed and discussed the external audit reports, focusing on internal controls, risk management, governance, and financial impact, particularly changes in accounting and reporting standards. The Committee also reviewed thoroughly Management's responses to the external auditor's findings and recommendations.

- **Compliance Function**

  The BAC reviewed and approved updates to the Compliance and Anti-Money Laundering (AML) Departments' manuals, institutional risk assessment, annual compliance plans, and independent compliance testing roadmaps. They closely monitored the progress on the annual compliance plans, results of independent compliance and AML testing, Bank's compliance with regulatory limits/ratios, regulatory report submissions, and continuous improvement of compliance and AML methodologies and systems.

  The BAC thoroughly discussed the results of regulatory examinations on BDO Private Bank and vetted Management's responses to the findings and recommendations. The BAC also assessed the appropriateness of the Bank's periodic updates to the regulators' findings and recommendations to ensure implementation of corrective actions. The Committee likewise devoted time to understanding the emerging money laundering risks and tracked the progress on high-profile cases involving clients of the Bank and ensured that appropriate controls are in place and/or instituted to prevent the Bank from being a channel for money laundering activities. The BAC also tracked the progress until launch to production of a major compliance system that enhances AML risk management on AML alerts review and disposition.

  The BAC assessed the performance of the Chief Compliance Officer and the compliance function, confirming that they effectively carried out their plans and programs and met their mandate as provided in their Charter.

  The BAC reviewed reports on operational cases, whistleblower accounts, and non-loan related cases impacting financial, internal controls, information systems, and reputation. The Committee ensured that Management placed adequate internal controls with focus on risk mitigation, legal handling, and fraud prevention to prevent recurrence.

As part of its unwavering commitment to uphold the highest standards of corporate governance, the BAC conducted a comprehensive self-assessment of its performance for the year 2023. This assessment was meticulously carried out in accordance with its Terms of Reference, ensuring that all aspects of its mandate were evaluated.

The BAC's assessment of the Bank's internal controls, financial reporting process, and risk management systems considered several critical inputs:

- External Auditor's Report and Unqualified Opinion: An essential component that provided independent assurance of the Bank's financial health.
- Regulatory Report of Examinations: An essential component that provided independent assurance of the robustness of the Bank's risk management, capital adequacy, asset quality, earnings and liquidity.
- Chief Internal Auditor's Overall Assurance: Offering an internal perspective on the efficiency and effectiveness of the Bank's operations and controls.
- Senior Management's Reports and Additional Information: Ensuring comprehensive oversight and informed decision-making.

Statement of Management's Responsibility for Financial Statements

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

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

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

The Board of Directors reviews and approves the financial statements, and the additional supplementary information, and submits the same to the stockholders.

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

Teresita T. Sy
Chairman of the Board

Joseph Albert L. Gotuaco
President

Neil O. Pagkatipunan
Senior Assistant Vice President
Head — Financial Control Department

SUBSCRIBED and SWORN to me before this 27th day of February 2025 affiant exhibiting to me their Competent Evidence of Identity (CEI), as follows:

Name	CEI Number
Teresita T. Sy	SSS No. – 03-2832705-4
Joseph Albert L. Gotuaco	SSS No. – 03-9640449-1
Neil O. Pagkatipunan	SSS No. – 33-0964680-3

WITNESS BY HAND AND SEAL on the day first above - mentioned in Makati City.

Doc No. 182
Page No. 38
Book No. IX
Series of 2025

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2026
IBP No. 655155-Lifetime Member
MCLE Compliance No. VII-0022734
Appointment No. M-007 (2025-2026)
PTR No. 0466005 Jan. 2, 2025
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

Report of Independent Auditors

The Board of Directors
BDO Private Bank, Inc.
(A Wholly Owned Subsidiary of BDO Unibank, Inc.)

BDO Equitable Tower
8751 Paseo de Roxas
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BDO Private Bank, Inc. (the Bank), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 24 to the financial statements, the Bank presented the supplementary information for the year ended December 31, 2024 required by the Bureau of Internal Revenue (BIR) under Revenue Regulations (RR) No. 15-2010 in a supplementary schedule filed separately from the basic financial statements. RR No. 15-2010 requires the supplementary information to be presented in the notes to financial statements. The supplementary information for the years ended December 31, 2024 and 2023 required by the Bangko Sentral ng Pilipinas (BSP) as disclosed in Note 28 of the financial statements is presented for purposes of additional analysis. Such supplementary information by the BIR and BSP is the responsibility of management. The supplementary information is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards; it is not also a required disclosure under the Revised Securities Regulation Code Rule 68 of the Philippine Securities and Exchange Commission. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Yusoph A. Maute
Partner

CPA Reg. No. 0140306
TIN 415-417-641
PTR No. 10465908, January 2, 2025, Makati City
BIR AN 08-002551-046-2023 (until January 24, 2026)
BOA/PRC Cert. of Reg. No. 0002/P-018 (until August 12, 2027)

February 17, 2025

Statements of Financial Position

BDO PRIVATE BANK, INC.
(A Wholly Owned Subsidiary of BDO Unibank, Inc.)

DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
RESOURCES			
DUE FROM BANGKO SENTRAL NG PILIPINAS	6	**P 2,655,951,311**	P 1,446,215,836
DUE FROM OTHER BANKS - Net	6	**3,988,997,224**	2,267,482,944
TRADING AND INVESTMENT SECURITIES			
Financial assets at fair value through profit or loss	7	**4,596,076,971**	4,544,010,458
Financial assets at fair value through other comprehensive income	8	**4,480,955,520**	3,842,969,180
Held-to-collect investments - net	9	**14,802,507,028**	14,341,386,446
LOANS AND RECEIVABLES - Net	10	**2,205,527,748**	3,647,342,172
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	11	**227,495,170**	208,430,706
OTHER RESOURCES - Net	13	**251,207,770**	245,809,073
TOTAL RESOURCES		**P 33,208,718,742**	P 30,543,646,815
LIABILITIES AND EQUITY			
DEPOSIT LIABILITIES	14		
Demand		**P 18,910,949,284**	P 16,906,078,859
Time		**1,182,763,365**	2,076,960,465
Total Deposit Liabilities		**20,093,712,649**	18,983,039,324
BILLS PAYABLE	15	**1,146,666,289**	589,767,441
DERIVATIVE FINANCIAL LIABILITIES	16	**3,325,020,025**	3,451,165,667
ACCRUED EXPENSES AND OTHER LIABILITIES	17	**1,257,901,462**	547,748,740
Total Liabilities		**25,823,300,425**	23,571,721,172
EQUITY	18	**7,385,418,317**	6,971,925,643
TOTAL LIABILITIES AND EQUITY		**P 33,208,718,742**	P 30,543,646,815

See Notes to Financial Statements.

Statements of Income

BDO PRIVATE BANK, INC.
(A Wholly Owned Subsidiary of BDO Unibank, Inc.)

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
INTEREST INCOME			
Held-to-collect investments	9	**P 651,369,215**	P 604,138,610
Financial assets at fair value through other comprehensive income	8	**243,231,134**	174,129,971
Due from Bangko Sentral ng Pilipinas and other banks	6	**199,194,043**	204,153,733
Loans and receivables	10	**177,545,135**	253,568,261
Financial assets at fair value through profit or loss	7	**14,203,612**	24,681,258
		1,285,543,139	1,260,671,833
INTEREST EXPENSE			
Deposit liabilities	14	**134,927,127**	121,486,145
Bills payable	15	**65,004,515**	35,179,916
Others - net	12, 17, 22	**9,239,343**	439,857
		209,170,985	157,105,918
NET INTEREST INCOME		**1,076,372,154**	1,103,565,915
IMPAIRMENT LOSSES - Net	6, 8, 9, 10	**89,208,568**	5,576,436
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**987,163,586**	1,097,989,479
OTHER INCOME			
Service charges, fees and commissions	19	**1,652,093,842**	1,388,903,477
Trading and securities gain - net	7, 8, 9	**193,279,691**	135,357,937
Foreign exchange gain - net		**67,947,770**	152,635,990
Others	11	**1,009,674**	2,658,707
		1,914,330,977	1,679,556,111
OTHER EXPENSES			
Employee benefits	22	**907,382,669**	626,727,635
Third party information	20	**328,454,698**	206,999,828
Taxes and licenses		**214,527,803**	191,938,779
Supervision		**214,124,078**	210,841,340
Depreciation and amortization	11, 13	**121,335,822**	105,145,048
Service, management and professional fees	23	**99,144,488**	59,390,895
Representation and entertainment		**67,578,100**	62,177,927
Insurance	23	**41,189,694**	48,343,213
Transportation and travel		**28,505,313**	22,905,512
Occupancy	12, 23	**9,314,416**	7,696,217
Others	21	**175,406,585**	141,819,850
		2,206,963,666	1,683,986,244
PROFIT BEFORE TAX		**694,530,897**	1,093,559,346
TAX EXPENSE	24	**265,740,376**	306,512,195
NET PROFIT		**P 428,790,521**	P 787,047,151

See Notes to Financial Statements.

Statements of Comprehensive Income

BDO PRIVATE BANK, INC.
(A Wholly Owned Subsidiary of BDO Unibank, Inc.)

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
NET PROFIT		**P 428,790,521**	P 787,047,151
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that are or will be reclassified subsequently to profit or loss			
Unrealized gains (losses) on financial assets at fair value through other comprehensive income (FVOCI)	8, 18	**(5,618,265)**	126,989,693
Transfer of realized gain on disposed FVOCI securities to statements of income	8, 18	**1,739,518**	40,076,540
Reversal of credit losses on financial assets at FVOCI	8, 18	**(178,277)**	(1,018,911)
		(4,057,024)	166,047,322
Item that will not be reclassified to profit or loss			
Actuarial gain (loss) on remeasurement of post-employment defined benefit obligation, net of tax	18, 22	**(11,240,823)**	889,811
Total Other Comprehensive Income (Loss), Net of Tax		**(15,297,847)**	166,937,133
TOTAL COMPREHENSIVE INCOME		**P 413,492,674**	P 953,984,284

See Notes to Financial Statements.

Statements of Changes in Equity

BDO PRIVATE BANK, INC.
(A Wholly Owned Subsidiary of BDO Unibank, Inc.)

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Share Capital (Note 18)	Surplus (Notes 10 and 18)			Revaluation Reserves		
		Reserves	Free	Total	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income (Note 18)	Accumulated Actuarial Gains (Losses) (Note 18)	Total Equity
Balance as of January 1, 2024	P 2,165,000,000	P 540,989,295	P 4,475,799,435	P 5,016,788,730	(P 116,095,781)	(P 93,767,306)	P 6,971,925,643
Total comprehensive income for the year	-	-	428,790,521	428,790,521	(4,057,024)	(11,240,823)	413,492,674
Balance as of December 31, 2024	**P 2,165,000,000**	**P 540,989,295**	**P 4,904,589,956**	**P 5,445,579,251**	**(P 120,152,805)**	**(P 105,008,129)**	**P 7,385,418,317**
Balance as of January 1, 2023	P 2,165,000,000	P 540,989,295	P 3,688,752,284	P 4,229,741,579	(P 282,143,103)	(P 94,657,117)	P 6,017,941,359
Total comprehensive income for the year	-	-	787,047,151	787,047,151	166,047,322	889,811	953,984,284
Balance as of December 31, 2023	P 2,165,000,000	P 540,989,295	P 4,475,799,435	P 5,016,788,730	(P 116,095,781)	(P 93,767,306)	P 6,971,925,643

See Notes to Financial Statements.

Statements of Cash Flows

BDO PRIVATE BANK, INC.
(A Wholly Owned Subsidiary of BDO Unibank, Inc.)

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**P 694,530,897**	P 1,093,559,346
Adjustments for:			
Interest income	6, 7, 8, 9, 10	**(1,285,543,139)**	(1,260,671,833)
Interest received		**1,231,398,690**	1,269,200,606
Unrealized foreign exchange losses (gains) - net	8, 9, 10, 15	**(380,970,834)**	61,163,595
Interest paid		**(217,333,218)**	(145,584,893)
Interest expense	12, 14, 15, 17, 22	**209,170,985**	157,105,918
Depreciation and amortization	11, 13	**121,335,822**	105,145,048
Reversal of allowance for impairment - net	6, 8, 9, 10	**89,208,568**	5,576,436
Amortization of premium on held-to-collect (HTC) investments	9	**76,229,114**	79,156,780
Unrealized fair value losses (gains) from financial assets at fair value through profit or loss (FVTPL)	7	**(21,573,047)**	28,277,258
Loss on sale of financial assets at fair value through other comprehensive income (FVOCI)	8, 18	**1,739,518**	40,076,540
Gain on disposal of bank premises, furniture, fixtures and equipment	11	**(290,016)**	(28,154)
Gain on disposal of HTC investments	9	**-**	(677,340)
Gain on pretermination of lease contract	11, 23	**-**	(35,688)
Reclassification of bank premises, furniture, fixtures and equipment to outright expense		**-**	134
Operating profit before changes in resources and liabilities		**517,903,340**	1,432,263,753
Decrease in financial assets at FVTPL		**22,094,255**	1,775,622,663
Decrease in loans and receivables		**1,405,001,821**	574,974,255
Decrease (increase) in other resources		**(883,714,398)**	176,494,103
Increase (decrease) in deposit liabilities		**1,124,195,492**	(5,374,942,976)
Decrease in derivative financial liabilities		**(126,145,642)**	(905,626,073)
Increase (decrease) in accrued expenses and other liabilities		**705,190,668**	(47,507,080)
Cash used in operations		**2,764,525,536**	(2,368,721,355)
Cash paid for income taxes		**(254,770,123)**	(257,706,646)
Net Cash From (Used in) Operating Activities		**2,509,755,413**	(2,626,428,001)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at FVOCI	8	**(6,190,567,070)**	(4,290,895,273)
Acquisition of HTC investments	9	**(5,723,739,276)**	(2,948,016,302)
Proceeds from disposal of financial assets at FVOCI	8	**5,639,054,018**	4,337,952,531
Proceeds from disposal of HTC investments	9	**5,430,418,901**	2,423,587,784
Acquisitions of bank premises, furniture, fixtures and equipment	11	**(32,372,080)**	(15,459,424)
Proceeds from disposal of bank premises, furniture, fixtures and equipment	11	**294,227**	30,750
Net Cash Used in Investing Activities		**(876,911,280)**	(492,799,934)
CASH FLOW FROM FINANCING ACTIVITIES			
Additional borrowings	15	**9,804,098,173**	3,058,951,198
Repayment of borrowings	15	**(9,210,106,331)**	(3,313,826,991)
Repayments of lease liabilities	12	**(59,664,667)**	(49,161,366)
Net Cash From (Used in) Financing Activities		**534,327,175**	(304,037,159)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,167,171,308**	(3,423,265,094)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Due from Bangko Sentral ng Pilipinas (BSP)	6	**1,446,215,836**	2,879,214,548
Due from Other Banks	6	**1,193,884,266**	3,369,843,372
Securities purchased under reverse repurchase agreement (SPURRA)	10	**399,577,847**	213,885,123
		3,039,677,949	6,462,943,043
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Due from BSP	6	**2,655,951,311**	1,446,215,836
Due from Other Banks - Net	6	**2,100,615,446**	1,193,884,266
SPURRA	10	**450,282,500**	399,577,847
		P 5,206,849,257	P 3,039,677,949

Supplemental Information on Non-cash Investing and Financing Activities:

1.) The outstanding interest receivable on financial assets at FVOCI amounted to P57.8 million and P51.6 million as of December 31, 2024 and 2023, respectively (see Note 8).

2.) The outstanding interest receivable on HTC investment amounted to P197.6 million and P184.8 million as of December 31, 2024 and 2023, respectively (see Note 9).

3.) The Bank recognized additional right-of-use assets and lease liabilities in 2024 and 2023, both amounting to P65.1 million and P92.8 million, respectively, due to new lease agreements entered by the Bank as a lessee (see Notes 11 and 12).

Other Information –

SPURRA are included as part of cash and cash equivalents for cash flow purposes but are presented as part of Loans and Receivables in the statements of financial position (see Notes 2 and 10). Margin deposits amounting to P1,888.4 million and P1,073.6 million in 2024 and 2023, respectively, are excluded as part of cash and cash equivalents for cash flow purposes but are presented as part of Due from Other Banks in the statements of financial position (see Notes 2 and 6).

See Notes to Financial Statements.

Notes to Financial Statements

BDO PRIVATE BANK, INC.
(A Wholly Owned Subsidiary of BDO Unibank, Inc.)

DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

1. CORPORATE MATTERS

1.1 Organization and Operations

On December 22, 1995, the Bangko Sentral ng Pilipinas (BSP) authorized BDO Private Bank, Inc. (the Bank) to operate as a commercial bank. The Bank was incorporated in the Philippines to engage in banking activities, as well as to engage in and carry on the business of a trust bank and to operate a foreign currency deposit unit (FCDU).

The Bank is a wholly owned subsidiary of BDO Unibank, Inc. (BDO Unibank or Parent Bank), a publicly listed bank incorporated and domiciled in the Philippines. BDO Unibank is authorized to operate as an expanded commercial bank and to engage in trust and foreign currency deposit operations.

As a banking institution, the Bank's operations are regulated and supervised by the BSP. In this regard, the Bank is required to comply with the rules and regulations of the BSP such as those relating to maintenance of reserve requirements on deposit liabilities and deposit substitutes and those relating to the adoption and use of safe and sound banking practices, among others, as promulgated by the BSP. The Bank is subject to the provisions of the Republic Act (R.A.) No. 8791: *General Banking Law of 2000*.

The Bank's registered office, which is also its principal place of business, is located at the BDO Equitable Tower, 8751 Paseo de Roxas, Makati City. The registered office of BDO Unibank is at BDO Corporate Center, 7899 Makati Avenue, Makati City.

1.2 Approval of Financial Statements

The financial statements of the Bank as of and for the year ended December 31, 2024 (including the comparative financial statements as of and for the year ended December 31, 2023) were authorized for issue by the Bank's Board of Directors (BOD) on February 17, 2025.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Financial Statements

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

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

(c) Functional and Presentation Currency

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

Items included in the financial statements of the Bank are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Bank operates.

2.2 Adoption of New and Amended PFRS

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

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

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

Discussed below are the relevant information about these pronouncements.

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*. The amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendments had no significant impact on the Bank's financial statements.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants*. The amendments specify that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For non-current liabilities subject to conditions, an entity is required to disclose information about the conditions, whether the entity would comply with the conditions based on its circumstances at the reporting date and whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested. The application of these amendments had no significant impact on the Bank's financial statements.

(iii) PAS 7 and PFRS 7 (Amendments), *Statement of Cash Flows, Financial Instruments: Disclosures – Supplier Finance Arrangements*. The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The application of these amendments had no significant impact on the Bank's financial statements.

(iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback*. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. In addition, the new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The application of these amendments had no significant impact on the Bank's financial statements.

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

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

(i) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)

(ii) PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)

(iii) PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.

(iv) PFRS 19, *Subsidiaries without Public Accountability: Disclosures* (effective from January 1, 2027).

2.3 Financial Assets and Financial Liabilities

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

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

(i) *Financial Assets at Amortized Cost*

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

The Bank's financial assets at amortized cost are presented in the statement of financial position as Due from BSP, Due from Other Banks, Loans and Receivables, Held-to-Collect (HTC) Investments, and certain accounts under Other Resources – net account.

For purposes of reporting cash flows, cash and cash equivalents include amounts due from BSP and other banks (excluding margin deposits), securities purchased under reserve repurchase agreement (SPURRA) and certain unquoted debt securities, if any, with maturities of three months or less from placement date.

(ii) *Financial Assets at Fair Value Through Other Comprehensive Income*

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

(iii) *Financial Assets at Fair Value Through Profit or Loss*

The Bank's financial assets at FVTPL include derivatives, corporate and government debt securities which are held for trading purposes or designated as at FVTPL.

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

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

Interest income on financial assets measured at amortized cost and all interest-bearing debt financial assets classified as at FVTPL, or at FVOCI, is recognized using the effective interest rate (EIR) method.

The EIR is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of EIR. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan; hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive (negative) adjustment to the carrying amount of the asset in the balance sheet with an increase (reduction) in Interest Income. The adjustment is subsequently amortized through interest and similar income in the statement of income.

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

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

(c) *Impairment of Financial Assets*

The Bank assesses its expected credit loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI and other contingent accounts. No impairment loss is recognized on equity investments, if any. The Bank considers a broader range of information in assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

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

- debt securities that are identified to have 'low credit risk' at the reporting date; and,
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

For these financial instruments, the allowance for impairment is based on 12-month ECL associated with the probability of default of a financial instrument in the next 12 months (referred to as 'Stage 1' financial instruments). Unless there has been a significant increase in credit risk subsequent to the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as 'Stage 2' financial instruments). 'Stage 2' financial instruments also include those loan accounts and facilities where the credit risk has improved and have been reclassified from 'Stage 3'. A lifetime ECL shall be recognized for 'Stage 3' financial instruments, which include financial instruments that are subsequently credit-impaired, as well as purchased or originated credit impaired (POCI) assets.

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

(d) *Measurement of ECL*

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. The Bank's detailed ECL measurement, as determined by the management, is disclosed in Note 4.3.5.

(e) Derecognition of Financial Assets – Modification of Loans

When the Bank derecognizes a financial asset through renegotiation or modification of contractual cash flows of loans to customers, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank considers, among others:

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

If the terms are substantially different, the Bank derecognizes the financial asset and recognizes a "new" asset at fair value and recalculates a new EIR for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount between the old financial asset derecognized and the fair value of the new financial asset are recognized as gain or loss in profit or loss upon derecognition. As to the impact on ECL measurement, the expected fair value of the "new" asset is treated as the final cash flow from the existing financial asset at the date of derecognition.

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

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

(f) Financial Liabilities

Financial liabilities include deposit liabilities, bills payable, derivative financial liabilities, and accrued expenses and other liabilities (except tax-related payables and post-employment defined benefit obligation).

2.4 Derivative Financial Instruments

The Bank is a party to various foreign currency forward contracts, cross currency and interest rate swaps. These contracts are entered into as a service to customers and as a means of reducing or managing the Bank's foreign exchange and interest rate exposure as well as for trading purposes.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value.

For more complex instruments, the Bank uses proprietary models, which usually are developed from recognized valuation models. Some or all of the inputs into these models may not be market observable and are derived from market prices or rates or are estimated based on assumptions.

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, and other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value in the statement of financial position.

2.5 Intangible Assets

Intangible assets pertain to computer software licenses which are capitalized on the basis of the costs incurred to acquire and install the specific software. Capitalized costs are amortized on a straight-line basis over the estimated useful life of five years. Costs associated with maintaining computer software are expensed as incurred.

2.6 Bank Premises, Furniture, Fixtures and Equipment

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

The estimated useful life of furniture, fixtures, and equipment is five years. Leasehold improvements are amortized over the lease term or five years, whichever is shorter.

2.7 Other Income and Expense Recognition

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15, *Revenues from Contracts with Customers*. In such case, the Bank first applies PFRS 9 to separate and measure the part of the contract that is within the scope of PFRS 9, and then applies PFRS 15 to the residual part of the contract.

The Bank also earns service fees on various banking services which are supported by contracts approved by the parties involved. These revenues are accounted for by the Bank in accordance with PFRS 15.

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

(a) Individual and Corporate Banking Services

The Bank provides banking services to individual and corporate customers, including account management, servicing arrangements and all other banking transactions (i.e., lending, foreign currency transactions, settlement and remittance).

Transaction-based fees are charged to the customer's account; hence, revenues are recognized at the point in time when the transaction takes place.

(b) Asset Management Services

The Bank provides asset management services, which include trust and fiduciary activities. Related fees are recognized as follows:

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

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

For Trading and Securities Gains (Losses) outside the scope of PFRS 15, such is recognized when the ownership of the securities is transferred to the buyer and is computed as the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains and losses as a result of the mark-to-market valuation of investment securities classified as FVTPL.

2.8 Leases – Bank as Lessee

Subsequent to initial recognition, the Bank depreciates the right-of-use asset on a straight line basis from the lease commencement date to the earlier of the end of the useful life or the end of the lease term which is from two to five years.

The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients allowed under PFRS 16. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities have been presented as part of Bank Premises, Furniture, Fixtures and Equipment, and Accrued Expense and Other Liabilities, respectively.

2.9 Impairment of Non-financial Assets

Bank premises, furniture, fixtures and equipment, computer software, and other non-financial assets included in Other Resources account in the statement of financial position are tested for impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.10 Foreign Currency Transactions

The financial statements of the Foreign Currency Deposit Unit (FCDU) of the Bank are translated at the prevailing current exchange rates (for statement of financial position accounts) and average exchange rate during the period (for statement of income accounts) for consolidation purposes.

2.11 Employee Benefits

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

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

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into an independent entity such as the Social Security System. The Bank has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

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

The Bank recognizes a liability and an expense for bonuses. A provision is recognized by the Bank where it is contractually obliged to pay the benefits or where there is a past practice that has created a constructive obligation.

The Bank grants stock option plan to its senior officers (from vice-president up) for their contribution to the Bank's performance and attainment of team goals. The stock option plan gives qualified employees the right to purchase BDO Unibank's shares at an agreed strike price. The amount of stock option allocated to the qualified officers is based on the performance of the individual officers as determined by the management and is determined based on the Bank's performance in the preceding year and amortized over five years (vesting period) starting from date of approval of the BOD. The number of officers qualified at the grant date is regularly evaluated (at least annually) during the vesting period and the amount of stock option is decreased in case there are changes in the number of qualified employees arising from resignation or disqualification.

Liability recognized on the stock option plan for the amount charged by BDO Unibank attributable to the qualified officers of the Bank is included under Accrued Expenses and Other Liabilities account in the statement of financial position and the related expense is presented as part of Employee benefits under Other Expenses account in the statement of income (see Notes 17 and 22.1).

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The Bank's financial statements prepared in accordance with PFRS Accounting Standards require management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may likely differ from these estimates and the differences could be significant.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Application of ECL to HTC Investments and Financial Assets at FVOCI

The Bank uses a general approach to calculate ECL for all debt instruments carried at amortized cost and FVOCI, together with loan commitments and financial guarantee contracts, if any. The allowance for impairment is based on the ECLs associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized. This is where significant judgement is required.

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

(b) Evaluation of Business Model Applied in Managing Financial Instruments

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

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

In determining the classification of a financial instrument under PFRS 9, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belongs to taking into consideration the objectives of each business model established by the Bank as those relate to the Bank's investment, trading and lending strategies.

(c) *Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model*

In determining the classification of financial assets under PFRS 9, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows).

If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

If more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a HTC 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.

In 2023, the Bank disposed of certain debt securities from its HTC investment portfolio for funding purposes. Based on management's assessment, such disposals of debt securities are consistent with the Bank's business model with the objective of collecting contractual cash flows and have qualified under the permitted sale events set forth in the Bank's business model in managing financial assets manual and the requirements of PFRS 9. The disposal of investment securities was approved by the Risk Management Committee (RMC) in compliance with the documentation requirements of the BSP. There are no similar disposals in 2024.

(d) *Determination of Timing of Satisfaction of Performance Obligations*

The Bank determines that its revenues from services for asset management and other non-refundable upfront fees shall be recognized over time. In making its judgment, the Bank considers the timing of receipt and consumption of benefits provided by the Bank to the customers. As the work is performed, the Bank becomes entitled to payments. This demonstrates that the customers simultaneously receive and consume the benefits of the Bank's rendering of these banking services as it performs.

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

(e) *Recognition of Provisions and Contingencies*

Provisions are recognized when present obligations will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. Similarly, possible outflows of economic benefits to the Bank that do not yet meet the recognition criteria of a liability are considered contingent liabilities, hence, are not recognized in the financial statements. Judgment is exercised by management to distinguish between provisions and contingencies. Relevant disclosures are presented in Note 26.

3.2 Key Sources of Estimation Uncertainty

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

(a) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Bank measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Bank's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.3.5.

The carrying value of financial assets at FVOCI, HTC investments and Loans and other receivables, and the analysis of the allowance for impairment on such financial assets, are shown in Notes 8, 9 and 10, respectively.

(c) *Fair Value Measurements for Financial Instruments*

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. Valuation techniques are used to determine fair values which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as counterparty credit risk, volatilities and correlations require management to make estimates.

Changes in assumptions could affect the reported fair value of financial instruments. The Bank uses judgments to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The carrying values of the Bank's financial assets at FVTPL and FVOCI and the amounts of fair value changes recognized during the years on those assets are disclosed in Notes 7 and 8, respectively.

(d) Determination of Fair Value of Derivatives

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

Valuation techniques are used to determine fair values, which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions and correlations require management to make estimates.

The Bank uses judgment to select a variety of methods and make assumptions that are mainly based on conditions existing at the end of each reporting period.

(e) Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment and Computer Software

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment, and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of bank premises, furniture, fixtures and equipment, and computer software are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

Analyses of the carrying amounts of bank premises, furniture, fixtures, and equipment and computer software are disclosed in Notes 11 and 13, respectively.

(f) Determination of Realizable Amount of Deferred Tax Assets

The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Management assessed that the deferred tax assets recognized as of December 31, 2024 and 2023 will be fully utilized in the subsequent reporting periods. The carrying value of deferred tax assets as of those dates is disclosed in Notes 13 and 24.

(g) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.9). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses on non-financial assets were recognized in 2024 and 2023.

(h) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Bank's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected rate of return on plan assets, salary rate increase and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 22.2.

4. RISK MANAGEMENT

With its culture of managing risk prudently within its capacity and capabilities, the Bank pursues its strategy and business plans to provide consistent quality service to its customers, to achieve its desired long-term target returns to its shareholders and satisfy or abide by the needs of its other stakeholders, including its depositors and regulators.

The Bank believes that, as there are opportunities, there are associated risks and the objective is not to totally avoid risks, but to adequately and consistently evaluate, manage, control, and monitor the risks and ensure that the Bank is adequately compensated for all the risks taken. Good risk management involves making informed and rational decisions about the level of risks the institution wants to take, in the pursuit of its objectives, but with consideration to return commensurate with the risk-taking activity.

The Bank's goal is to remain a strong bank that is resilient to possible adverse events. Hence, the Bank ensures:

- strong financial position by maintaining capital ratios in excess of regulatory requirements;
- sound management of liquidity; and,
- ability to generate sustainable earnings commensurate with the risks taken.

For credit risk, market risk, and liquidity risk, the Bank ensures that these are within Board-approved operating limits. For operational risk (which includes legal, regulatory, compliance risks), and reputational risks, these are invariably managed by the development of both a strong "control culture" and an effective internal control system that constantly monitors and updates operational policies and procedures with respect to the Bank's activities and transactions.

Risk management at the Bank begins at the highest level of the organization. At the helm of the risk management infrastructure is the BOD who is responsible for establishing and maintaining a sound risk management system. The BOD assumes oversight over the entire risk management process and has the ultimate responsibility for all risks taken. It regularly reviews and approves the institution's tolerance for risks, as well as its business strategy and risk philosophy.

The BOD has constituted the RMC as the board-level committee responsible for the oversight of the risk management program. Considering the importance of appropriately addressing credit risk, the BOD has also constituted the Executive Committee. The Executive Committee is responsible for approving credit-specific transactions, while the RMC is responsible for approving risk appetite levels, policies, and risk tolerance limits related to credit portfolio risk, market risk, liquidity risk, interest rate risk, operational risk (including business continuity risk, IT risk, information security risk, data privacy risk and social media risk), consumer protection risk and environmental and social risk to ensure that current and emerging risk exposures are consistent with Bank's strategic direction and overall risk appetite.

Within the Bank's overall risk management system is the Assets and Liabilities Committee (ALCO) which is responsible for managing the Bank's statement of financial position, including the Bank's liquidity, interest rate and foreign exchange related risks. In addition, ALCO formulates investment and financial policies by determining the asset allocation and funding mix strategies that are likely to yield the targeted financial results.

The Bank operates an integrated risk management system to address the risks it faces in its banking activities, including credit, market (foreign exchange, interest rate, and price risks), liquidity, and operational risks. The Risk Management Group (RMG) is mandated to adequately and consistently evaluate, manage, control, and monitor the overall risk profile of the Bank's activities across the different risk areas (i.e., credit, market, liquidity and operational risks) to optimize the risk-reward balance and maximize return on capital. RMG also has the responsibility for recommending to the appropriate body, risk policies across the full range of risks to which the Bank is exposed. RMG functionally reports to the RMC.

The evaluation, analysis, and control performed by the risk function, in conjunction with the risk takers, constitute the risk management process. The risk management process is applied at three levels: the transaction level, the business unit level and the portfolio level. This framework ensures that risks are properly identified, quantified and analyzed, in the light of its potential effect on the Bank's business. The goal of the risk management process is to ensure rigorous adherence to the Bank's standards for precision in risk measurement and reporting and to make possible, in-depth analysis of the deployment of capital and the returns that are delivered to the shareholders.

4.1 Market Risk

The Bank's exposure to market risk, the risk of future loss from changes in the price of a financial instrument, relates primarily to its holdings in foreign exchange instruments, debt securities and derivatives. The Bank manages its risk by identifying, analyzing and measuring relevant or likely market risks. Market risk management recommends market risk limits based on relevant activity indicators for approval by the Bank's RMC and BOD.

4.1.1 Foreign Exchange Risk

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

The Bank's net foreign exchange exposure is computed as its foreign currency resources less foreign currency liabilities plus contingent assets less contingent liabilities. BSP regulations impose a cap of 25% of qualifying capital or US$150 million, whichever is lower, on the consolidated excess foreign exchange holdings of banks in the Philippines. The Bank's foreign exchange exposure is primarily foreign exchange trading with corporate accounts and other financial institutions. The Bank, as a market participant in the Philippine Dealing System, may engage in proprietary trading to take advantage of foreign exchange fluctuations.

The Bank's foreign exchange exposure at end-of-day is guided by the limits set forth in the Bank's Risk Management Manual. These limits are within the prescribed ceilings mandated by the BSP. At the end of each day, the Bank reports to the BSP on its compliance with the mandated foreign currency exposure limits.

The following tables set out the composition of the Bank's financial resources and financial liabilities as to currency as of December 31, 2024 and 2023 (amounts in thousands):

	2024		
	Foreign Currencies	**Philippine Peso**	**Total**
Resources:			
Due from BSP	**P -**	**P 2,655,951**	**P 2,655,951**
Due from other banks - net	**3,948,020**	**40,977**	**3,988,997**
Financial assets at FVTPL	**884,803**	**3,711,274**	**4,596,077**
Financial assets at FVOCI	**1,381,030**	**3,099,926**	**4,480,956**
HTC investments - net	**4,522,532**	**10,279,975**	**14,802,507**
Loans and receivables - net	**576,375**	**1,629,153**	**2,205,528**
Other resources	**-**	**4,058**	**4,058**
	P 11,312,760	**P 21,421,314**	**P 32,734,074**
Liabilities:			
Deposit liabilities	**P 10,033,611**	**P 10,060,102**	**P 20,093,713**
Bills payable	**1,146,666**	**-**	**1,146,666**
Derivative financial liabilities	**-**	**3,325,020**	**3,325,020**
Other liabilities	**116,342**	**995,129**	**1,111,471**
	P 11,296,619	**P 14,380,251**	**P 25,676,870**

	2023					
	Foreign Currencies		Philippine Peso		Total	
Resources:						
Due from BSP	P	-	P	1,446,216	P	1,446,216
Due from other banks - net		2,179,233		88,250		2,267,483
Financial assets at FVTPL		460,128		4,083,882		4,544,010
Financial assets at FVOCI		1,140,415		2,702,554		3,842,969
HTC investments - net		5,229,553		9,111,833		14,341,386
Loans and receivables - net		631,130		3,016,212		3,647,342
Other resources		-		4,018		4,018
	P	9,640,459	P	20,452,965	P	30,093,424
Liabilities:						
Deposit liabilities	P	9,899,573	P	9,083,466	P	18,983,039
Bills payable		589,767		-		589,767
Derivative financial liabilities		-		3,451,166		3,451,166
Other liabilities		104,162		330,099		434,261
	P	10,593,502	P	12,864,731	P	23,458,233

4.1.2 Interest Rate Risk

The Bank prepares an interest rate gap analysis in the Banking Book to measure the sensitivity of its resources, liabilities and off-book items to interest rate fluctuations. The Banking Book is a term for resources on a bank's statement of financial position that are expected to be held to maturity, usually consisting of customer loans to and deposits from retail and corporate customers. The Banking Book can also include those derivatives that are used to hedge exposures arising from the Banking Book activity, including interest rate risk. The focus of analysis is the impact of changes in interest rates on accrual or reported earnings. This analysis would give management a glimpse of the repricing profile of its interest sensitive resources and liabilities in the Banking Book.

An interest rate gap report is prepared by classifying all resources and liabilities into various time buckets according to contracted maturities if fixed or anticipated repricing dates if floating, or based on behavioural assumptions if more applicable.

In the interest rate gap presented, loans and investments are profiled based on next repricing if floating; or contracted maturity if fixed; while non-maturity deposit liabilities are considered non-rate sensitive. The difference in the amount of resources and liabilities maturing or being repriced in any time period category would then give the Bank an indication of the extent to which it is exposed to the risk of potential changes in net interest income. Interest rate financial instruments (e.g., interest rate derivatives) may be used to hedge the interest rate exposures in the Banking Book.

The following table shows the amounts of the Bank's resources and liabilities that are subject to different interest rate arrangements as of December 31, 2024 and 2023 (amounts in thousands):

	2024		2023	
	Resources	**Liabilities**	Resources	Liabilities
Subject to floating interest rates	**P 1,419,325**	**P -**	P 2,957,380	P -
Subject to fixed interest rates	**29,812,391**	**3,541,188**	25,760,620	3,404,934
Noninterest-bearing	**1,977,003**	**22,282,112**	1,825,647	20,166,787
	P 33,208,719	**P 25,823,300**	P 30,543,647	P 23,571,721

The analyses of the groupings of resources, liabilities and off-book items as of December 31, 2024 and 2023 based on expected interest realization or recognition are as follows (amounts in millions):

	2024					
	One to Three Months	**More Than Three Months to One Year**	**More Than One Year to Five Years**	**More Than Five Years**	**Non-Rate Sensitive**	**Total**
Resources:						
Due from BSP	P 1,831	P -	P -	P -	P 825	P 2,656
Due from other banks - net	2,104	1,885	-	-	-	3,989
Trading and investment securities - net	4,680	2,744	5,520	10,262	673	23,879
Loans and receivables - net	985	138	1,083	-	-	2,206
Other resources - net*	-	-	-	-	478	478
Total Resources	**9,600**	**4,767**	**6,603**	**10,262**	**1,976**	**33,208**
Liabilities and Equity:						
Deposit liabilities	2,147	170	77	-	17,699	20,093
Bills payable	568	579	-	-	-	1,147
Other liabilities**	-	-	-	-	4,583	4,583
Total Liabilities	2,715	749	77	-	22,282	25,823
Equity	-	-	-	-	7,385	7,385
Total Liabilities and Equity	**2,715**	**749**	**77**	**-**	**29,667**	**33,208**
On-book Gap	6,885	4,018	6,526	10,262	(27,691)	**-**
Cumulative On-book Gap	**6,885**	**10,903**	**17,429**	**27,691**	**-**	**-**
Contingent Resources	1,350	292	-	-	-	1,642
Contingent Liabilities	1,330	289	-	-	-	1,619
Off-book Gap	20	3	-	-	-	23
Net Periodic Gap	6,905	4,021	6,526	10,262	(27,691)	(23)
Cumulative Total Gap	**P 6,905**	**P 10,926**	**P 17,452**	**P 27,714**	**P 23**	**P -**

	2023					
	One to Three Months	More Than Three Months to One Year	More Than One Year to Five Years	More Than Five Years	Non-Rate Sensitive	Total
Resources:						
Due from BSP	P 320	P -	P -	P -	P 1,126	P 1,446
Due from other banks - net	1,272	995	-	-	-	2,267
Trading and investment securities - net	4,925	2,891	8,046	6,622	245	22,729
Loans and receivables - net	1,162	515	1,970	-	-	3,647
Other resources - net*	-	-	-	-	454	454
Total Resources	7,679	4,401	10,016	6,622	1,825	30,543
Liabilities and Equity:						
Deposit liabilities	1,170	907	692	-	16,214	18,983
Bills payable	590	-	-	-	-	590
Other liabilities**	47	-	-	-	3,952	3,999
Total Liabilities	1,807	907	692	-	20,166	23,572
Equity	-	-	-	-	6,971	6,971
Total Liabilities and Equity	1,807	907	692	-	27,137	30,543
On-book Gap	5,872	3,494	9,324	6,622	(25,312)	-
Cumulative On-book Gap	5,872	9,366	18,690	25,312	-	-
Contingent Resources	1,674	723	-	-	-	2,397
Contingent Liabilities	1,667	720	-	-	-	2,387
Off-book Gap	7	3	-	-	-	10
Net Periodic Gap	5,879	3,497	9,324	6,622	(25,312)	10
Cumulative Total Gap	P 5,879	P 9,376	P 18,700	P 25,322	P 10	P -

* *Other resources include bank premises, furniture, fixtures and equipment, margin deposits, petty cash, and other deposits.*
** *Other liabilities include derivative financial liabilities, and accrued expenses and other liabilities.*

The Bank's market risk management limits are generally categorized as limits on:

- Value-at-risk (VaR) – The RMG computes the VaR benchmarked at a level which is a percentage of projected earnings. The Bank uses the VaR model to estimate the daily potential loss that the Bank can incur from its trading book, based on a number of assumptions with a confidence level of 99%. The measurement is designed such that exceptions over limits should only arise in very exceptional circumstances.

- Stop loss – The RMG sets the amount of each risk-bearing activity at a percentage of the budgeted annual income for such activity.

- Nominal position – The RMG sets the nominal amount to prevent over-trading, excessive concentration, and to limit financial loss supplementing other already established limits.

- Trading volume – The RMG sets the volume of transactions that any employee may execute at various levels based on the rank of the personnel making the risk-bearing decision.

- Earnings-at-risk (EAR) – The RMG computes the EAR based on the repricing profile of the Banking Book and benchmarks against projected annual net interest income and capital.

VaR is one of the key measures in the Bank's management of market risk. VaR is defined as a statistical estimate of the maximum possible loss on a given position during a time horizon within a given confidence interval. The Bank uses a 99% confidence level and a 260-day observation period in VaR calculation. The Bank's VaR limit is established as a percentage of projected earnings and is used to alert senior management whenever the potential losses in the Bank's portfolios exceed tolerable levels.

Because the VaR measure is tied to market volatility, it therefore allows management to react quickly and adjust its portfolio strategies in different market conditions in accordance with its risk philosophy and appetite. The VaR model is validated through back-testing. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A one-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;

- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used, there is a one percent probability that losses could exceed the VaR;

- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;

- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and,

- The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position.

Stress VaR is also performed on all portfolios as a complementary measure of risk. While VaR deals with risk during times of normality, stress testing is used to measure the potential effect of a crisis or low probability event.

A summary of the VaR position of the Bank's trading portfolios as of December 31, 2024 and 2023 are presented in the succeeding page:

	December 31, 2024		December 31, 2023	
	VaR	**Stress VaR**	VaR	Stress VaR
Foreign currency risk	**P 278,756**	**P 3,649,628**	P 172,270	P 1,641,862
Interest rate risk – Peso	**2,071,805**	**33,571,819**	12,345,504	300,166,465
Interest rate risk – USD	**2,588,988**	**32,491,794**	25,165,888	255,596,271
	P 4,939,549	**P 69,713,241**	P 37,683,662	P 557,404,598

For the Bank, the earnings perspective using an EAR approach is the more relevant measure for the interest rate risks in the Banking Book given a "going-concern" assumptions and also because the component of earnings in focus is net interest income. EAR is a measure of likely earnings volatility for accrual portfolios. The appropriate yield curve used is the relevant benchmark rate and the volatilities of the relevant benchmark interest rate curve are calculated similar to the method employed in VaR. The volatility calculations make use of actual pre-defined time series data, using five years' worth of yearly changes, at the 99% confidence interval. The frequency of measurement for EAR is monthly. EAR Stress Test uses 300 basis point increase in US interest rates and 400 basis point increase in peso interest rates.

The EAR before tax in a rising and declining interest rate scenario for financial assets and liabilities repriced during 2024 and 2023 is shown as follows (amounts in millions):

	2024			
	Change in interest rates (in basis points)			
	-100	**+100**	**-50**	**+50**
Change in annualized net interest income	**(P 41.83)**	**P 41.83**	**(P 20.91)**	**P 20.91**
As a percentage of the Bank's net interest income for 2024	**(3.89%)**	**3.89%**	**(1.94%)**	**1.94%**
EAR	**P 181.52**			
As a percentage of the Bank's net interest income for 2024	**16.86%**			
Average (1yr) EAR	**P 236.25**			
Stress EAR	**P 239.23**			

	2023			
	Change in interest rates (in basis points)			
	-100	+100	-50	+50
Change in annualized net interest income	(P 24.15)	P 24.15	(P 12.07)	P 12.07
As a percentage of the Bank's net interest income for 2023	(2.41%)	2.41%	(1.21%)	1.21%
EAR	P 87.51			
As a percentage of the Bank's net interest income for 2023	7.93%			
Average (1yr) EAR	P 170.26			
Stress EAR	P 195.29			

4.2 Liquidity Risk

Liquidity risk is the risk that there could be insufficient funds available to adequately meet the credit demands of the Bank's customers and repay deposits on maturity. The Bank manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met and by maintaining a balanced loan portfolio which is repriced on a regular basis. In addition, the Bank seeks to maintain sufficient liquidity to take advantage of interest rate and exchange rate opportunities when they arise.

The analyses of the maturity groupings of resources, liabilities and off-book items as of December 31, 2024 and 2023, in accordance with the account classifications of the BSP, are presented below and in the succeeding page (amounts in millions). The amounts disclosed in the maturity analysis are the contractual undiscounted cash flows using the primary contractual maturities or behavioural assumptions on core levels (e.g., core deposit liabilities), if the latter is more relevant in profiling the liquidity gap.

	2024				
	One to Three Months	**More Than Three Months To One Year**	**More Than One Year To Five Years**	**More Than Five Years**	**Total**
Resources:					
Due from BSP	P 2,350	P -	P -	P 306	P 2,656
Due from other banks - net	2,104	1,885	-	-	3,989
Trading and investment securities - net	1,460	2,744	5,520	14,155	23,879
Loans and receivables - net	876	26	887	417	2,206
Other resources - net*	-	-	-	478	478
Total Resources	**6,790**	**4,655**	**6,407**	**15,356**	**33,208**
Liabilities and Equity:					
Deposit liabilities	11,814	65	30	8,184	20,093
Bills payable	568	579	-	-	1,147
Other liabilities**	-	-	-	4,583	4,583
Total Liabilities	12,382	644	30	12,767	25,823
Equity	-	-	-	7,385	7,385
Total Liabilities and Equity	**12,832**	**644**	**30**	**20,152**	**33,208**
On-book Gap	(5,592)	4,011	6,377	(4,796)	-
Cumulative On-book Gap	**(5,592)**	**(1,581)**	**4,796**	**-**	**-**
Contingent Resources	11,227	9,505	42,030	5,884	68,646
Contingent Liabilities	11,245	9,320	41,869	8,230	70,664
Off-book Gap	(18)	185	161	(2,346)	(2,018)
Net Periodic Gap	(5,610)	4,196	6,538	(7,142)	2,018
Cumulative Total Gap	**(P 5,610)**	**(P 1,414)**	**P 5,124**	**(P 2,018)**	**P -**

	2023				
	One to Three Months	More Than Three Months To One Year	More Than One Year To Five Years	More Than Five Years	Total
Resources:					
Due from BSP	P 794	P 3	P -	P 649	P 1,446
Due from other banks - net	1,272	995	-	-	2,267
Trading and investment securities - net	900	2,891	8,046	10,892	22,729
Loans and receivables - net	958	445	1,771	473	3,647
Other resources - net*	-	-	-	454	454
Total Resources	3,924	4,334	9,817	12,468	30,543
Liabilities and Equity:					
Deposit liabilities	4,028	337	263	14,355	18,983
Bills payable	590		-	-	590
Other liabilities**	47	-	-	3,952	3,999
Total Liabilities	4,665	337	263	18,307	23,572
Equity	-	-	-	6,971	6,971
Total Liabilities and Equity	4,665	337	263	25,278	30,543
On-book Gap	(741)	3,997	9,554	(12,810)	-
Cumulative On-book Gap	(741)	3,256	12,810	-	-
Contingent Resources	38,632	24,376	37,803	2,252	103,063
Contingent Liabilities	38,390	24,264	37,655	2,246	102,555
Off-book Gap	242	112	148	6	508
Net Periodic Gap	(499)	4,109	9,702	(12,804)	(508)
Cumulative Total Gap	(P 499)	P 3,610	P 13,312	P 508	P -

Other resources include banks premises, furniture, fixtures and equipment, margin deposits, petty cash and other deposits.
** *Other liabilities include derivative financial liabilities, and accrued expenses and other liabilities.*

Contractual Maturity Analysis – Derivative Financial Liabilities

As of December 31, 2024 and 2023, the Bank's derivative financial liabilities for which contractual maturities are essential for the understanding of cash flows have contractual maturities as follows (amounts in thousands):

	2024				
	One to Three Months	**More Than Three Months to One Year**	**More Than One Year to Five Years**	**More Than Five Years**	**Total**
Forwards (FX swaps/outrights)	**P 825**	**P 27,902**	**P -**	**P -**	**P 28,727**
Cross currency swaps	**137,234**	**1,050,980**	**2,093,238**	**14,841**	**3,296,293**
	P 138,059	**P 1,078,882**	**P 2,093,238**	**P 14,841**	**P 3,325,020**

	2023				
	One to Three Months	More Than Three Months to One Year	More Than One Year to Five Years	More Than Five Years	Total
Forwards (FX swaps/outrights)	P 4,599	P 58,340	P -	P -	P 62,939
Cross currency swaps	234,897	1,072,481	2,050,333	30,516	3,388,227
	P 239,496	P 1,130,821	P 2,050,333	P 30,516	P 3,451,166

4.3 Credit Risk

Credit risk is the risk that the counterparty in a transaction may default and arises from lending, treasury, derivatives and other activities undertaken by the Bank. The Bank manages its credit risk and loan portfolio through the RMG, which undertakes several functions with respect to credit risk management.

The RMG undertakes credit analysis and review to ensure consistency in the Bank's risk assessment process. The RMG performs account risk ratings and ensures that the Bank's credit policies and procedures are adequate to meet the demands of the business. The RMG is also responsible for developing procedures to streamline and expedite the processing of credit applications.

The RMG also undertakes portfolio management by reviewing the Bank's loan portfolio, including the portfolio risks associated with particular industry sectors, regions, loan size and maturity, and development of a strategy for the Bank to achieve its desired portfolio mix and risk profile.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or issuer, or groups of borrowers or issuers, and to geographical and industry segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also managed in part by securing eligible collateral/guarantees.

4.3.1 Credit Risk Assessment

Loan classification and credit risk rating are an integral part of the Bank's management of credit risk. On an annual basis, loans are reviewed, classified as necessary, and rated based on internal and external factors that affect its performance. On a monthly basis, loan classifications of impaired accounts are assessed and the results are used as basis for the review of loan loss provisions.

The Bank's definition of its loan classification and corresponding credit risk ratings are as follows:

- Current/Unclassified : Grades AAA to B
- Watchlisted : Grade B-
- Loans Especially Mentioned : Grade C
- Substandard : Grade D
- Doubtful : Grade E
- Loss : Grade F

Once an account is Watchlisted or Adversely Classified, the resulting risk rating grade is aligned based on the above classification.

(a) *Current/Unclassified*

These are individual credits that do not have a greater-than-normal risk and do not possess the characteristics of adversely classified loans. These are credits that have the apparent ability to satisfy their obligations in full and therefore, no loss in ultimate collection is anticipated. These are adequately secured by readily marketable collateral or other forms of support security or are supported by sufficient credit and financial information of favorable nature to assure repayment as agreed.

(b) *Watchlisted*

Since early identification of troublesome or potential accounts is vital in portfolio management, a "Watchlisted" classification of credit accounts is maintained. These accounts are not adversely classified but they require more than normal attention to prevent these accounts from deteriorating to said category.

Past due or individually impaired financial assets comprise accounts under the following risk ratings:

(c) *Adversely Classified*

(i) *Especially Mentioned*

It is an adverse classification of loans/accounts that have potential weaknesses and deserves management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus increase credit risk to the Bank.

(ii) *Substandard*

Accounts classified as "Substandard" are individual credits or portions thereof, that have well-defined weakness/(es) that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.

(iii) Doubtful

Accounts classified as "Doubtful" are individual credits or portions thereof which exhibit more severe weaknesses than those classified as "Substandard" whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable; however, the exact amount remains undeterminable as yet. Classification as "Loss" is deferred because of specific pending factors, which may strengthen the assets.

(iv) Loss

Accounts classified as "Loss" are individual credits or portions thereof, which are considered uncollectible or worthless, and of such little value that their continuance as bankable assets are not warranted although the loans may have some recovery or salvage value. This shall be viewed as a transitional category for loans and other credit accommodations, which have been identified as requiring write-off during the current reporting period even though partial recovery may be obtained in the future.

In addition to the above, credit portfolio review is another integral part of the Bank's management of credit risk. This exercise involves the conduct of periodic post approval review of individual credits whose main objective is to help monitor and maintain sound and healthy risk asset portfolio. Parameters of the credit portfolio review are structured so as to reflect both sides of the risk management equation such as credit quality and process. This function actuates the philosophy that credit quality is derived from sound risk management process. The credit quality of financial assets is managed by the Bank using internal credit ratings.

4.3.2 Credit Quality Analysis

The following table sets out information about the credit quality of financial resources measured at amortized cost and FVOCI (except those classified as cash and cash equivalents). Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. As of December 31, 2024 and 2023, the Bank has no loan commitments and financial guarantee contracts.

The following tables presented below and in the succeeding page show the exposure to credit risk as of December 31, 2024 and 2023 for each internal risk grade and the related allowance for impairment (amounts in thousands):

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Due from other banks				
Grades AAA to B: Current	P 3,990,836	P -	P -	P 3,990,836
Expected credit loss allowance	(1,839)	-	-	(1,839)
Carrying amount	**P 3,988,997**	**P -**	**P -**	**P 3,988,997**
Receivables from customers – corporate				
Grades AAA to B: Current	P 499,317	P -	P -	P 499,317
Expected credit loss allowance	-	-	-	-
Carrying amount	**P 499,317**	**P -**	**P -**	**P 499,317**

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Receivables from customers – individual				
Grades AAA to B: Current	P 920,440	P -	P -	P 920,440
Expected credit loss allowance	(83)	-	-	(83)
Carrying amount	**P 920,357**	**P -**	**P -**	**P 920,357**
Other receivables				
Grades AAA to B: Current	P 335,572	P -	P -	P 335,572
Grade F: Loss	-	-	127,478	127,478
Expected credit loss allowance	-	-	(127,478)	(127,478)
Carrying amount	**P 335,572**	**P -**	**P -**	**P 335,572**
Debt securities – Financial assets at FVOCI				
Grades AAA to B: Current	**P 4,480,956**	**P -**	**P -**	**P 4,480,956**
Debt securities – HTC investments				
Grades AAA to B: Current	P 14,805,674	P -	P -	P 14,805,674
Expected credit loss allowance	(3,167)	-	-	(3,167)
Carrying amount	**P 14,802,507**	**P -**	**P -**	**P 14,802,507**

	2023			
	Stage 1	Stage 2	Stage 3	Total
Due from other banks				
Grades AAA to B: Current	P 2,269,989	P -	P -	P 2,269,989
Expected credit loss allowance	(2,506)	-	-	(2,506)
Carrying amount	P 2,267,483	P -	P -	P 2,267,483
Receivables from customers – corporate				
Grades AAA to B: Current	P 1,752,855	P -	P -	P 1,752,855
Expected credit loss allowance	(286)	-	-	(286)
Carrying amount	P 1,752,569	P -	P -	P 1,752,569
Receivables from customers – individual				
Grades AAA to B: Current	P 1,233,701	P -	P -	P 1,233,701
Expected credit loss allowance	(2,020)	-	-	(2,020)
Carrying amount	P 1,231,681	P -	P -	P 1,231,681
Other receivables				
Grades AAA to B: Current	P 263,514	P -	P -	P 263,514
Grade F: Loss	-	-	26,881	26,881
Expected credit loss allowance	-	-	(26,881)	(26,881)
Carrying amount	P 263,514	P -	P -	P 263,514
Debt securities – Financial assets at FVOCI				
Grades AAA to B: Current	P 3,842,969	P -	P -	P 3,842,969
Debt securities – HTC investments				
Grades AAA to B: Current	P 14,352,364	P -	P -	P 14,352,364
Expected credit loss allowance	(10,977)	-	-	(10,977)
Carrying amount	P 14,341,387	P -	P -	P 14,341,387

The following table sets out the credit quality of trading debt securities measured at FVTPL (see Note 7) (amounts in thousands):

	2024	2023
Grade:		
AAA	**P 633,295**	P 102,796
AA+ to AA-	**99,738**	197,509
BBB+ to BBB-	**151,769**	159,824
	P 884,802	P 460,129

The table below shows an analysis of counterparty credit exposures arising from derivative transactions. The outstanding derivative exposures to counterparties are generally to investment grade counterparty banks. Derivative transactions with non-bank counterparties are on a fully secured basis (amounts in thousands):

	Total		Exchange-traded		Over-the-counter			
					Central counterparties		Other bilateral collateralized	
	Notional Amount	Fair value	Notional Amount	Fair value	Notional Amount	Fair value	Notional Amount	Fair value
2024								
Derivative assets	**P 26,391,591**	**P 3,711,275**	**P -**	**P -**	**P -**	**P -**	**P 26,391,591**	**P 3,711,275**
Derivative liabilities	**29,045,599**	**3,325,020**	**-**	**-**	**-**	**-**	**29,045,599**	**3,325,020**
2023								
Derivative assets	P 47,633,389	P 4,083,882	P -	P -	P -	P -	P 47,633,389	P 4,083,882
Derivative liabilities	47,912,684	3,451,166	-	-	-	-	47,912,684	3,451,166

As of December 31, 2024, and 2023, the Bank held Due from Other Banks and Due from BSP (including SPURRA) totaling to P7,097,069,622 and P4,115,782,626, respectively. The financial assets are held with the BSP and financial institution counterparties that are rated at least BBB to AAA+, based on S&P ratings.

4.3.3 Concentration of Credit Risk

The RMG reviews the Bank's loan portfolio in line with the Bank's policy of not having significant unwarranted concentrations of exposure to individual counterparties, in accordance with the BSP's prohibitions on maintaining a financial exposure to any single person or group of connected persons in excess of 25% of its net worth.

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk (gross of allowance for impairment) at the reporting date is shown below and in the succeeding page (amounts in thousands).

	2024		
	Cash and Cash Equivalents*	Loans and Receivables	Trading and Investment Securities
Concentration by sector:			
Financial and insurance activities	P 7,101,128	P 4,357	P 736,953
Real estate activities	-	425,991	605,025
Information and communication	-	81,347	367,122
Manufacturing	-	95,888	234,388
Wholesale and retail trade	-	299,225	-
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	-	298,728	-
Construction	-	192,172	-
Transportation and storage	-	-	99,738
Professional, scientific and technical services	-	10,037	-
Government	-	-	21,138,857
Agriculture, forestry and fishing	-	12,011	-
Other service activities	-	463,050	700,624
	P 7,101,128	P 1,882,806	P 23,882,707
Concentration by location:			
Philippines	P 3,421,090	P 1,882,806	P 19,702,394
Foreign countries	3,680,038	-	4,180,313
	P 7,101,128	P 1,882,806	P 23,882,707

	2023		
	Cash and Cash Equivalents*	Loans and Receivables	Trading and Investment Securities
Concentration by sector:			
Financial and insurance activities	P 4,119,801	P 46,406	P 4,862,350
Real estate activities	-	657,397	770,062
Information and communication	-	179,608	337,095
Manufacturing	-	134,583	346,556
Arts, entertainment and recreation	-	922,253	-
Wholesale and retail trade	-	643,302	-
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	-	205,735	-
Construction	-	180,027	-
Professional, scientific and technical services	-	10,481	-
Government	-	-	15,346,537
Electricity, gas, steam and air conditioning	-	-	408,703
Other service activities	-	297,159	668,040
	P 4,119,801	P 3,276,951	P 22,739,343
Concentration by location:			
Philippines	P 2,168,752	P 3,276,951	P 19,234,473
Foreign countries	1,951,049	-	3,504,870
	P 4,119,801	P 3,276,951	P 22,739,343

** In addition to the accounts that comprise cash and cash equivalents in Note 2.4, the amount also includes financial assets classified under Other Resources (see Note 13) amounting to P4,058 and P4,018 as of December 31, 2024 and 2023, respectively.*

The table below shows the maximum exposure to credit risk for the components of the statements of financial position, including derivatives. The maximum exposure is gross, before the effect of mitigation through the use of netting and collateral agreements (amounts in thousands).

	Notes	**2024**	2023
Due from BSP	6	**P 2,655,951**	P 1,446,216
Due from other banks	6	**3,990,836**	2,269,989
Financial assets at FVTPL	7		
Derivative financial assets		**3,711,275**	4,083,882
Government debt securities		**785,064**	256,999
Corporate debt securities		**99,738**	203,129
Financial assets at FVOCI	8		
Government debt securities		**3,792,199**	3,133,063
Corporate debt securities		**688,757**	709,906
HTC investments	9		
Government debt securities		**12,850,320**	12,359,557
Corporate debt securities		**1,955,354**	1,992,807
Loans and receivables	10		
Receivable from customers		**1,419,757**	2,986,556
Other receivables		**913,332**	689,973
Other resources	13	**4,058**	4,018
		P 32,866,641	P 30,136,095

4.3.4 Collateral Held as Security and Other Credit Enhancements

The Bank holds some collateral against loans to customers in the form of deposits and money market investments; fixed, floater and zero coupon bonds and notes guaranteed by the government; fixed, floater or zero coupon bonds issued by domestic corporations; and listed and publicly traded liquid equity issues. The market values of collaterals are based on the previous day's closing price and are revalued daily. Collateral generally is not held over due from other banks, interbank loans and investment securities, except when securities are held as part of reverse repurchase and securities borrowing activities. Significant counterparties to collateral held as security and other credit enhancements are corporate issuers of listed securities.

Estimate of the fair value of collateral and other security enhancements held against the following loans and receivables risk groupings as of December 31 are as follows (amounts in thousands):

		2024		2023
Neither past due nor impaired:				
Property	**P**	**637,784**	P	1,408,794
Equity securities		**733,145**		796,439
Debt securities		**396,733**		589,385
Others		**254,742**		723,692
	P	**2,022,404**	P	3,518,310

There is no significant change on the quality of the collateral and other security enhancements held against the credit exposures except for the fair value of the collaterals driven by the change in market conditions.

4.3.5 Amounts Arising from Expected Credit Losses

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as Stage 3 financial assets). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of default (PD), Loss given default (LGD) and Exposure at default (EAD).

(a) Significant Increase in Credit Risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information (FLI).

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime PD as at the reporting date; with,
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses the following criteria in determining whether there has been a significant increase in credit risk: (i) quantitative test based on movement in PD; and, (ii) qualitative indicators, such as substantial decline in sales or intermittent delays in payment:

(i) Credit Risk Grading

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

The credit grades are defined and calibrated such that the risk of default increases exponentially at each higher risk grade so, for example, the difference PD between an AAA and AA rating grade is lower than the difference in the PD between a B and B- rating grade.

(ii) Generating the Term Structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information from external credit reference agencies is also used.

The Bank employs statistical models to analyze the data collected and to generate the term structure of PD estimates.

(iii) Determining Whether Credit Risk has Significantly Increased

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. What is considered significant varies across financial assets of the Bank.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as substantial decline in sales and intermittent delays in payments.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

(b) Definition of Default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held);

- the borrower is more than 90 days past due on any material credit obligation to the Bank; or,

- it is becoming probable that the borrower will restructure the asset because of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are qualitative (e.g., breaches of covenant) and, quantitative (overdue or non-payment).

Inputs into the assessment of whether a financial instrument is in default as well as their significance may vary over time to reflect changes in circumstances.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

The definition of default has been aligned with the definition used for regulatory capital purposes. Definition of default can be rebutted and the rebuttal will be monitored and reviewed on annual basis to ensure definition remains appropriate.

These criteria are consistent with the definition of default used for internal credit risk management purposes. Such definition is consistently applied in determining PD, LGD, and EAD for each loan portfolio segment and throughout the ECL calculations of the Bank.

(c) Forward-looking Information

The Bank incorporates FLI into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

In 2024 and 2023, the Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The relevant macro-economic variables for selection generally include, but are not limited to, Gross Domestic Product (GDP) growth, unemployment rate, foreign exchange, stock market index, oil prices and interest rates.

Predicted relationships between the key macro-economic indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 10 to 15 years.

The significance of the selected macro-economic variables as predictors of default may change over time as historical information is added. As such, the generated macro-economic models are updated at least on an annual basis.

Management has also considered other FLIs not incorporated within the above economic scenarios, such as any regulatory, legislative, or political changes, but are not deemed to have a significant impact on the calculation of ECL. Management reviews and monitors the appropriateness of FLIs at least annually.

(d) Modified Financial Assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with,
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'restructuring') to maximize collection opportunities and minimize the risk of default. Under the Bank's restructuring policy, loan restructuring is granted on a selective basis if the debtor is currently in default on its debt; or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Individual and corporate loans are subject to restructuring. The Bank's Credit Committee regularly reviews reports on restructured activities.

For financial assets modified as part of the Bank's restructuring policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, restructuring is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

(e) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of PD, LGD and EAD.

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD. The methodology of estimating PDs is discussed in the preceding section under the heading 'Generating the Term Structure of PD' under item (a) of Note 4.3.5.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value (LTV) ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the EIR as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

The assumptions underlying the ECL calculation are monitored and reviewed on an annual basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and,
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Bank has limited historical data, external benchmark information (e.g., PD from external credit rating agencies, Basel LGD) is used to supplement the internally available data. The portfolios for which external benchmark information represent a significant input into measurement of ECL include exposures to foreign borrowers and low default borrower segments.

(f) Write-offs

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include; cessation of enforcement activity; and, where the Bank's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off. The Bank has still, however, enforceable right to receive payment even if the financial assets have been written off except in certain cases.

(g) Loss Allowance

The tables below and in the succeeding page show the reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument (amounts in thousands).

	2024			
	Stage 1	Stage 2	Stage 3	Total
Due from other banks				
Balance at January 1	P 2,506	P -	P -	P 2,506
Net remeasurement of loss allowance	(856)	-	-	(856)
Foreign exchange	189	-	-	189
Balance at December 31	**P 1,839**	**P -**	**P -**	**P 1,839**
Receivables from customers – corporate				
Balance at January 1	P 286	P -	P -	P 286
Derecognition of financial assets	(286)	-	-	(286)
Balance at December 31	**P -**	**P -**	**P -**	**P -**
Receivables from customers – individual				
Balance at January 1	P 2,020	P -	P -	P 2,020
New financial assets originated	259	-	-	259
Derecognition of financial assets	(2,304)	-	-	(2,304)
Foreign exchange	108	-	-	108
Balance at December 31	**P 83**	**P -**	**P -**	**P 83**
Other receivables				
Balance at January 1	P -	P -	P 26,881	P 26,881
New financial assets originated	-	-	100,597	100,597
Balance at December 31	**P -**	**P -**	**P 127,478**	**P 127,478**
Debt securities – Financial assets at FVOCI				
Balance at January 1	P 724	P -	P -	P 724
Net remeasurement of loss allowance	(206)	-	-	(206)
Foreign exchange	27	-	-	27
Balance at December 31	**P 545**	**P -**	**P -**	**P 545**

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Debt securities – HTC investments				
Balance at January 1	P 10,977	P -	P -	P 10,977
Net remeasurement of loss allowance	(7,001)	-	-	(7,001)
Derecognition of financial assets	(994)	-	-	(994)
Foreign exchange	185	-	-	185
Balance at December 31	**P 3,167**	**P -**	**P -**	**P 3,167**

	2023			
	Stage 1	Stage 2	Stage 3	Total
Due from other banks				
Balance at January 1	P 1,142	P -	P -	P 1,142
Net remeasurement of loss allowance	1,352	-	-	1,352
Foreign exchange	12	-	-	12
Balance at December 31	P 2,506	P -	P -	P 2,506
Receivables from customers – corporate				
Balance at January 1	P 1,638	P -	P -	P 1,638
Net remeasurement of loss allowance	38	-	-	38
Derecognition of financial assets	(1,390)	-	-	(1,390)
Balance at December 31	P 286	P -	P -	P 286
Receivables from customers – individual				
Balance at January 1	P 2,708	P -	P -	P 2,708
New financial assets originated	166	-	-	166
Derecognition of financial assets	(839)	-	-	(839)
Foreign exchange	(15)	-	-	(15)
Balance at December 31	P 2,020	P -	P -	P 2,020
Other receivables				
Balance at December 31	P -	P -	P 26,881	P 26,881
Debt securities – Financial assets at FVOCI				
Balance at January 1	P 1,742	P -	P -	P 1,742
Net remeasurement of loss allowance	887	-	-	887
Derecognition of financial assets	(1,917)	-	-	(1,917)
Foreign exchange	12	-	-	12
Balance at December 31	P 724	P -	P -	P 724
Debt securities – HTC investments				
Balance at January 1	P 3,700	P -	P -	P 3,700
New financial assets originated	52	-	-	52
Net remeasurement of loss allowance	8,244	-	-	8,244
Derecognition of financial assets	(1,017)	-	-	(1,017)
Foreign exchange	(2)	-	-	(2)
Balance at December 31	P 10,977	P -	P -	P 10,977

(b) Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

The tables in the succeeding pages provide information how the significant changes in the gross carrying amount of financial instruments in 2024 and 2023 contributed to the changes in the allowance for ECL (amounts in thousands).

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Due from other banks				
Balance at January 1	P 2,269,989	P -	P -	P 2,269,989
New financial assets originated	1,659,573	-	-	1,659,573
Foreign exchange	61,274	-	-	61,274
Balance at December 31	**P 3,990,836**	**P -**	**P -**	**P 3,990,836**
Receivables from customers – corporate				
Balance at January 1	P 1,752,855	P -	P -	P 1,752,855
New financial assets originated	63,649	-	-	63,649
Derecognition of financial assets	(1,317,187)	-	-	(1,317,187)
Balance at December 31	**P 499,317**	**P -**	**P -**	**P 499,317**
Receivables from customers – individual				
Balance at January 1	P 1,233,702	P -	P -	P 1,233,702
New financial assets originated	611,046	-	-	611,046
Derecognition of financial assets	(951,699)	-	-	(951,699)
Foreign exchange	27,391	-	-	27,391
Balance at December 31	**P 920,440**	**P -**	**P -**	**P 920,440**
Other receivables				
Balance at January 1	P 263,514	P -	P 26,881	P 290,395
New financial assets originated	72,058	-	100,597	172,655
Balance at December 31	**P 335,572**	**P -**	**P 127,478**	**P 463,050**
Debt securities – Financial assets at FVOCI				
Balance at January 1	P 3,842,969	P -	P -	P 3,842,969
New financial assets originated	6,186,688	-	-	6,186,688
Derecognition of financial assets	(5,634,642)	-	-	(5,634,642)
Foreign exchange	85,941	-	-	85,941
Balance at December 31	**P 4,480,956**	**P -**	**P -**	**P 4,480,956**
Debt securities – HTC investments				
Balance at January 1	P 14,352,364	P -	P -	P 14,352,364
New financial assets originated	6,375,108	-	-	6,375,108
Derecognition of financial assets	(6,145,192)	-	-	(6,145,192)
Foreign exchange	223,394	-	-	223,394
Balance at December 31	**P 14,805,674**	**P -**	**P -**	**P 14,805,674**

	2023			
	Stage 1	Stage 2	Stage 3	Total
Due from other banks				
Balance at January 1	P 4,681,012	P -	P -	P 4,681,012
Derecognition of financial assets	(2,386,175)	-	-	(2,386,175)
Foreign exchange	24,848	-	-	24,848
Balance at December 31	P 2,269,989	P -	P -	P 2,269,989
Receivables from customers – corporate				
Balance at January 1	P 2,075,606	P -	P -	P 2,075,606
New financial assets originated	243,414	-	-	243,414
	(2,386,175)	-	-	(2,386,175)
Balance at December 31	P 1,752,855	P -	P -	P 1,752,855
Due from other banks				
Balance at January 1	P 1,361,318	P -	P -	P 1,361,318
New financial assets originated	1,291,389	-	-	1,291,389
Derecognition of financial assets	(1,414,533)	-	-	(1,414,533)
Foreign exchange	(4,473)	-	-	(4,473)
Balance at December 31	P 1,233,701	P -	P -	P 1,233,701

	2023			
	Stage 1	Stage 2	Stage 3	Total
Other receivables				
Balance at January 1	P 391,792	P -	P 26,881	P 418,673
Derecognition of financial assets	(128,278)	-	-	(128,278)
Balance at December 31	P 263,514	P -	P 26,881	P 290,395
Debt securities – Financial assets at FVOCI				
Balance at January 1	P 3,771,044	P -	P -	P 3,771,044
Net remeasurement of loss allowance	4,457,962	-	-	4,457,962
Derecognition of financial assets	(4,362,512)	-	-	(4,362,512)
Foreign exchange	(23,525)	-	-	(23,525)
Balance at December 31	P 3,842,969	P -	P -	P 3,842,969
Debt securities – HTC investments				
Balance at January 1	P 13,926,537	P -	P -	P 13,926,537
New financial assets originated	3,552,155	-	-	3,552,155
Derecognition of financial assets	(3,091,594)	-	-	(3,091,594)
Foreign exchange	(34,734)	-	-	(34,734)
Balance at December 31	P 14,352,364	P -	P -	P 14,352,364

4.4 Equity Risk

Equity risk is the risk that the fair values of equity investments will decrease as a result of changes in the levels of equity indices and the value of individual stocks (whether traded or not). The Bank has no significant equity risk.

4.5 Operational Risk

Operational risk is the risk of loss due to the Bank's:

- failure to comply with defined Bank operational procedures;
- inability to address fraud committed internally or externally;
- inability to handle system failures; and,
- inability to cope with the impact of external events.

The Bank manages its operational risks by having policies to minimize its expected losses, allocating capital for the unexpected losses, and having insurance and/or a business continuity plan to prepare for catastrophic losses.

4.5.1 Framework

True to its commitment to sound management and corporate governance, the Bank considers operational risk management as a critical element in the conduct of its business. Under the Bank's Operational Risk Management (ORM) framework, the BOD has the ultimate responsibility for providing leadership in the management of risk in the Bank. The business and service unit heads, as risk owners, are responsible for identifying, assessing and limiting the impact of risk in their respective businesses. The RMG provides the common risk language and management tools across the Bank as well as monitors the implementation of the ORM framework and policies.

The Bank continued to pursue its proactive management of identified operational risks, focusing on the ongoing adoption of the Risk and Control Self-Assessment Process (RCSA) so that business process owners could document both their operational risks and the control mechanisms they have put in place to manage those risks. This ORM tool allows the Bank to identify risks the business/operation faces, assess the severity of those risks, evaluate the adequacy of key controls associated to the identified risks, and take proactive action to address any deficiencies identified.

These ORM tools are continually being reviewed and enhanced to proactively manage operational risks. The Operational Risk Management Solution (ORMS) was implemented to automate the reporting of Bank's RCSAs and Key Risk Indicators. The bank-wide information asset inventory is regularly reviewed to address operational risks arising from information security concerns. The inventory identified critical applications and sensitive data based on the Bank's classification standards, information risks, as well as, protection measures in place to mitigate these risks. Under the purview of information security is data privacy. The Bank's data privacy framework is in accordance with the R.A. No. 10173, *Data Privacy Act of 2012*.

Information technology risks which include current and prospective negative impact to earnings arising from failure of IT systems and realization of cyber security threats are appropriately managed through policies and measures that are integrated into Bank's day-to-day operations.

Operational risks arising from health, safety and environmental issues are appropriately managed through policies and measures that are integrated into the Bank's day-to-day operations. These include environmental consciousness, occupational health and safety, and community health and safety.

The Bank continues to review its preparedness for major disaster scenarios and implements required changes in its Business Continuity Plan.

4.6 Anti-Money Laundering Controls

The Anti-Money Laundering (AML) Program of the BDO Unibank Group, which is also adopted by the Bank, is articulated in the Board-approved Money Laundering and Terrorist Financing Prevention Program Manual (MTPP). The MTPP encapsulates the policies and procedures covering the : (i) on-boarding of clients, Know Your Client and required due diligence; (ii) customer risk assessment; (iii) on-going monitoring of transactions; (iv) regulatory reporting; (v) record-keeping; (vi) training of all Officers and Staff including BOD; (vii) Independent Compliance Testing (ICT); and (viii) Institutional Risk Assessment.

The MTPP provides the framework for the Bank to adhere with the AML and Counter-Terrorism Financing Laws and Regulations:

1. R.A. No. 9160: *The Anti-Money Laundering Act of 2001* (AMLA) as amended by R.A. No. 9194 (2003); R.A. No.10167 (2012); R.A. No. 10365 (2013); R.A. No. 10927 (2017) and R.A. No. 11521 (2021); together with applicable Implementing Rules and Regulations (IRR);

2. Part IX, Manual of Regulations for Banks, which incorporates BSP Circular No. 706 (2011), as amended by BSP Circular No. 950 (2017); and BSP Circular No. 1022 (2018); and,

3. R.A. No. 10168: *The Terrorism Financing Prevention and Suppression Act of 2012* and its IRR; R.A. No. 10697 *Strategic Trade Management Act* (2015) and its IRR; and the *Anti-Terrorism Act* (2020)

The Chief Compliance Officer directly reports to the BOD through the Board Audit Committee and is also a member of the AML Committee. The AML Committee of the Bank is tasked to oversee the operational implementation of the Bank's AML/CTF Program and is composed of senior officers from various units of the Bank.

5. CATEGORIES AND OFFSETTING OF FINANCIAL RESOURCES AND FINANCIAL LIABILITIES

5.1 Comparison of Carrying Amounts and Fair Values

The table below summarizes the carrying amounts and fair values by categories of those financial resources and financial liabilities in the statements of financial position (amounts in thousands):

		2024		2023	
	Notes	**Carrying Amounts**	**Fair Values**	Carrying Amounts	Fair Values
Financial Resources					
Financial assets at Amortized Cost:					
Due from BSP	6	**P 2,655,951**	**P 2,655,951**	P 1,446,216	P 1,446,216
Due from other banks - net	6	**3,988,997**	**3,988,997**	2,267,483	2,267,483
Receivables from customers - net	10	**1,419,673**	**1,342,555**	2,984,251	2,943,511
Other receivables - net	10	**785,855**	**785,855**	663,091	663,092
Other resources*	13	**4,058**	**4,058**	4,018	4,018
		8,854,534	**8,777,416**	7,365,059	7,324,320
Financial assets at FVTPL:	7				
Derivative financial assets		**3,711,275**	**3,711,275**	4,083,882	4,083,882
Government debt securities		**785,064**	**785,064**	256,999	256,999
Corporate debt securities		**99,738**	**99,738**	203,129	203,129
		4,596,077	**4,596,077**	4,544,010	4,544,010
Financial assets at FVOCI:	8				
Government debt securities		**3,792,199**	**3,792,199**	3,133,063	3,133,063
Corporate debt securities		**688,757**	**688,757**	709,906	709,906
		4,480,956	**4,480,956**	3,842,969	3,842,969
HTC investments - net:	9				
Government debt securities		**12,848,863**	**12,650,187**	12,356,464	12,068,209
Corporate debt securities		**1,953,644**	**1,876,197**	1,984,922	1,906,402
		14,802,507	**14,526,384**	14,341,386	13,974,611
		P 32,734,074	**P 32,380,833**	P 30,093,424	P 29,685,910
Financial Liabilities					
Financial liabilities at Amortized Cost:					
Deposit liabilities	14	**P 20,093,713**	**P 20,109,586**	P 18,983,039	P 19,012,414
Bills payable	15	**1,146,666**	**1,131,812**	589,767	580,379
Other liabilities**	17	**1,111,471**	**1,111,471**	434,261	434,261
		22,351,850	**22,352,869**	20,007,067	20,027,054
Financial liabilities at Fair Value – Derivative financial liabilities	16	**3,325,020**	**3,325,020**	3,451,166	3,451,166
		P 25,676,870	**P 25,677,889**	P 23,458,233	P 23,478,220

* *Other resources include margin deposits, petty cash and other deposits.*
** *Other liabilities include manager's checks, accrued expenses, unclaimed balances and other liabilities.*

5.2 Fair Value Hierarchy

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

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

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

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

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

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

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

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

5.3 Financial Instruments Measured at Fair Value

The tables below show the fair value hierarchy of the Bank's classes of financial resources and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2024 and 2023 (amounts in thousands).

	Level 1	Level 2	Level 3	Total
December 31, 2024				
Resources:				
Financial assets at FVTPL:				
Derivative financial assets	**P -**	**P 3,711,275**	**P -**	**P 3,711,275**
Government debt securities	**573,985**	**211,079**	**-**	**785,064**
Corporate debt securities	**40,026**	**59,712**	**-**	**99,738**
Financial assets at FVOCI:				
Government debt securities	**1,740,171**	**2,052,028**	**-**	**3,792,199**
Corporate debt securities	**-**	**688,757**	**-**	**688,757**
Total Resources	**P 2,354,182**	**P 6,722,851**	**P -**	**P 9,077,033**
Liabilities –				
Derivative financial liabilities	**P -**	**P 3,325,020**	**P -**	**P 3,325,020**
December 31, 2023				
Resources:				
Financial assets at FVTPL:				
Derivative financial assets	P -	P 4,083,882	P -	P 4,083,882
Government debt securities	44,338	212,661	-	256,999
Corporate debt securities	197,668	5,461	-	203,129
Financial assets at FVOCI:				
Government debt securities	1,496,051	1,637,012	-	3,133,063
Corporate debt securities	-	709,906	-	709,906
Total Resources	P 1,738,057	P 6,648,922	P -	P 8,386,979
Liabilities –				
Derivative financial liabilities	P -	P 3,451,166	P -	P 3,451,166

There have been significant transfers among Levels 1 and 2 in the reporting periods.

Described below is the information about how the fair values of the Bank's classes of financial assets are determined.

(a) *Debt securities*

The fair value of the Bank's debt securities, which are categorized within Level 1 and Level 2 is discussed below.

(i) The fair values of government debt securities issued by the Philippine government, are determined based on the reference price per Bloomberg which used Bloomberg Valuation (BVAL). These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithms of direct observations or observed comparables.

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

(b) Derivatives

The fair value of derivative financial instruments, which are categorized within Level 2, is determined through valuation techniques using the net present value computation [see Note 3.2(d)].

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

The table below summarizes the fair value hierarchy of the Bank's financial resources and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed (amounts in thousands).

	Level 1	Level 2	Level 3	Total
December 31, 2024				
Resources:				
Due from BSP	**P 2,655,951**	**P -**	**P -**	**P 2,655,951**
Due from other banks	**3,988,997**	**-**	**-**	**3,988,997**
HTC investments	**5,445,171**	**9,081,213**	**-**	**14,526,384**
Loans and other receivables	**450,282**	**-**	**1,678,128**	**2,128,410**
Other resources	**-**	**-**	**4,058**	**4,058**
	P 12,540,401	**P 9,081,213**	**P 1,682,186**	**P 23,303,800**
Liabilities:				
Deposit liabilities	**P -**	**P -**	**P 20,109,586**	**P 20,109,586**
Bills payable	**-**	**-**	**1,131,812**	**1,131,812**
Other liabilities	**-**	**-**	**1,111,471**	**1,111,471**
	P -	**P -**	**P 22,352,869**	**P 22,352,869**
December 31, 2023				
Resources:				
Due from BSP	P 1,446,216	P -	P -	P 1,446,216
Due from other banks	2,267,483	-	-	2,267,483
HTC investments	7,921,763	6,052,848	-	13,974,611
Loans and other receivables	399,578	-	3,207,024	3,606,602
Other resources	-	-	4,018	4,018
	P 12,035,040	P 6,052,848	P 3,211,042	P 21,298,930
Liabilities:				
Deposit liabilities	P -	P -	P 19,012,414	P 19,012,414
Bills payable	-	-	580,379	580,379
Other liabilities	-	-	434,261	434,261
	P -	P -	P 20,027,054	P 20,027,054

For financial resources and financial liabilities, management considers that the carrying amounts of those short-term financial instruments approximate their fair values. The following are the methods used to determine the fair value of financial resources and financial liabilities presented in the statements of financial position at their amortized cost:

(a) *Due from BSP and Other Banks*

Due from BSP pertains to deposits made by the Bank to the BSP for clearing, reserve requirements and placement of excess liquidity in Overnight Deposit Facility (ODF) and Term Deposit Facility (TDF) in 2024 and 2023, respectively. Due from other banks include interbank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximates the nominal value.

(b) *HTC Investments*

The fair value of investment securities at amortized cost consisting of government securities and corporate debt securities is determined based on reference prices appearing in Bloomberg which used BVAL. These BVAL reference rates are computed based on the weighted average price derived using an approach based on a combined sequence of proprietary BVAL algorithms of direct observations or observed comparables. For corporate debt securities, fair value is determined to be the current mid-price, which is computed as the average of ask and bid prices as appearing on Bloomberg.

The Bank will hold onto the investments until management decides to sell them when there will be offers to buy out such investments on the appearance of an available market where the investments can be sold.

(c) *Loans and Other Receivables*

Receivables from customers and other receivables (including SPURRA) are presented net of provisions for impairment, if any. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(d) *Deposits and Borrowings*

The estimated fair value of demand deposits with no stated maturity, which includes noninterest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. For bills payable categorized within Level 3, the Bank classify financial instruments that have no quoted prices or observable market data where reference of fair value can be derived; hence, fair value is determined based on their discounted amount of estimated future cash flows expected to be received or paid, or based on their cost which management estimates to approximate their fair values.

(e) Other Resources and Liabilities

Due to their short duration, the carrying amounts of other resources and liabilities in the statements of financial position are considered to be reasonable approximation of their fair values.

5.5 Offsetting of Financial Assets and Financial Liabilities

The table below shows the financial assets of the Bank as of December 31, 2024 and 2023 which are subject to offsetting, enforceable master netting arrangements and similar agreements which are not set-off in the statements of financial position (amounts in thousands).

	December 31, 2024			
	Financial Assets	**Financial Liabilities Available for Set-off**	**Collateral Received**	**Net Amount**
Due from other banks	**P 3,988,997**	**P 1,884,879**	**P -**	**P 2,104,118**
Financial assets at FVTPL	**4,596,077**	**708,204**	**-**	**3,887,873**
Loans and receivables	**2,205,528**	**-**	**9,735**	**2,195,793**
	P 10,790,602	**P 2,593,083**	**P 9,735**	**P 8,187,784**

	December 31, 2023			
	Financial Assets	Financial Liabilities Available for Set-off	Collateral Received	Net Amount
Due from other banks	P 2,267,483	P 1,066,980	P -	P 1,200,503
Financial assets at FVTPL	4,544,010	662,228	-	3,881,782
Loans and receivables	3,647,342	-	553,340	3,094,002
	P 10,458,835	P 1,729,208	P 553,340	P 8,176,287

The following financial liabilities with net amounts presented in the statements of financial position are not set-off in the statements of financial position subject to offsetting, enforceable master netting arrangements and similar agreements which are as follows (amount in thousands):

	December 31, 2024			
	Financial Liabilities	**Financial assets Available for Set-off**	**Collateral Given**	**Net Amount**
Deposit liabilities	**P 20,093,713**	**P 9,735**	**P -**	**P 20,083,978**
Financial liabilities:				
Currency forwards	**3,325,020**	**708,204**	**1,884,879**	**731,937**
	P 23,418,733	**P 717,939**	**P 1,884,879**	**P 20,815,915**

	December 31, 2023			
	Financial Liabilities	Financial assets Available for Set-off	Collateral Given	Net Amount
Deposit liabilities	P 18,983,039	P 553,340	P -	P 18,429,699
Financial liabilities:				
Currency forwards	3,451,166	662,228	1,066,980	1,721,958
	P 22,434,205	P 1,215,568	P 1,066,980	P 20,151,657

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

6. DUE FROM BSP AND OTHER BANKS

6.1 Due from BSP

This account pertains to the deposit account maintained by the Bank with the BSP to meet reserve requirements and to serve as clearing account for interbank claims. The outstanding balance of this account amounted to P2,655,951,311 and P1,446,215,836 in 2024 and 2023, respectively.

Due from BSP, excluding mandatory reserves which has no interest, bears annual effective interest rates of 4.50% to 6.06%, and 3.60% to 6.60% in 2024 and 2023, respectively. The total interest income earned amounted P48,019,583 and P54,657,266 in 2024 and 2023, respectively, and is included as part of Interest Income on Due from BSP and other banks in the statements of income. Due from BSP is included in cash and cash equivalents for cash flow statement reporting purposes.

Under Section 254, *Composition of Reserves*, of the Manual of Regulations for Banks (MORB), a bank is required to maintain reserve requirements in the form of deposits with the BSP as among the allowable instruments for reserve cover. Section 254.1 of the MORB further provides that such deposit account with the BSP is not considered as a regular current account as BSP checks for drawings against such deposits shall be limited to (a) settlement of obligations with the BSP, and; (b) withdrawals to meet cash requirements.

6.2 Due from Other Banks

The balance of this account represents regular deposits with the following:

	Note		2024		2023
Foreign banks		**P**	**3,680,037,887**	P	1,951,048,478
Local banks	23.1(c)		**310,797,924**		318,940,465
			3,990,835,811		2,269,988,943
Allowance for impairment		**(**	**1,838,587)**	(	2,505,999)
		P	**3,988,997,224**	P	2,267,482,944

A breakdown of this account by currency follows:

		2024		2023
United States dollar	**P**	**3,571,048,475**	P	1,713,682,837
Philippine peso		**40,976,911**		88,249,928
Other foreign currencies		**376,971,838**		465,550,179
	P	**3,988,997,224**	P	2,267,482,944

These deposits earn effective interest at rates ranging from 0.00% to 7.92%, and from 0.00% to 7.41% per annum in 2024 and 2023, respectively. The total interest earned on due from other banks amounted to P151,174,460 and P149,496,467 in 2024 and 2023, respectively, and is included as part of Interest Income on Due from BSP and other banks in the statements of income. Except for margin deposits amounting to P1,888,381,778 and P1,073,598,678 as of December 31, 2024 and 2023, respectively, Due from other banks are included in cash and cash equivalents for statements of cash flows purposes. Margin deposits consist of placements with foreign banks that are offered by the Bank as security on its derivative transactions with certain counterparties.

The movements of the Bank's allowance for impairment in 2024 and 2023 are presented in Note 4.3.5(g) and (h). Impairment recovery amounting to P855,723 in 2024 and impairment loss amounting to P1,352,375 in 2023, are presented as part of Impairment Losses account in the statements of income.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account is composed of the following:

	Notes		2024		2023
Derivative financial assets	16, 23.1(g)	**P**	**3,711,275,158**	P	4,083,881,694
Government debt securities			**785,063,640**		256,999,298
Corporate debt securities			**99,738,173**		203,129,466
		P	**4,596,076,971**	P	4,544,010,458

As to currency, this account is composed of the following:

		2024		2023
Philippine peso	**P**	**3,711,273,575**	P	4,083,881,694
Foreign currencies		**884,803,396**		460,128,764
	P	**4,596,076,971**	P	4,544,010,458

Corporate debt securities include local and foreign corporate securities that earn interest from 3.50% to 4.75%, and from 4.13% to 5.75% per annum in 2024 and 2023, respectively. Government debt securities consist of various treasury bills and other securities issued by the government that earn interest from 0.25% to 3.38%, and from 0.25% to 4.63% per annum in 2024 and 2023, respectively.

In 2024, effective interest rates range from 5.52% to 8.39%, and from 0.26% to 10.53% for peso denominated and foreign currency denominated FVTPL securities, respectively. In 2023, effective interest rates range from 0.00% to 7.45%, and from 0.26% to 7.23% for peso denominated and foreign currency denominated FVTPL securities, respectively. The total interest earned on financial assets at FVTPL are presented in the statements of income which amounted to P14,203,612 and P24,681,258 in 2024 and 2023, respectively.

The Bank recognized net realized trading gains on financial assets at FVTPL amounting to P173,446,171 and P203,034,395 in 2024 and 2023, respectively. Unrealized fair value gains of P21,573,047 and unrealized fair value losses of P28,277,258 were recognized by the Bank in 2024 and 2023, respectively (see Note 16). Both realized and unrealized trading gains and losses are presented as part of Trading and Securities Gain in the statements of income.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This account is composed of the following:

		2024		2023
Government debt securities	**P**	**3,792,198,407**	P	3,133,063,571
Corporate debt securities		**688,757,113**		709,905,609
	P	**4,480,955,520**	P	3,842,969,180

As to currency, this account is composed of the following:

		2024		2023
Philippine peso	**P**	**3,099,926,106**	P	2,702,553,792
Foreign currencies		**1,381,029,414**		1,140,415,388
	P	**4,480,955,520**	P	3,842,969,180

Changes in the Bank's holdings of financial assets at FVOCI are summarized below.

	Note	2024	2023
Balance at beginning of year		**P 3,842,969,180**	P 3,771,043,969
Additions		**6,190,567,070**	4,290,895,273
Disposals		**(5,634,642,150)**	(4,362,511,698)
Fair value gains (losses)	18.2	**(3,878,747)**	167,066,233
Foreign currency revaluation		**85,940,167**	(23,524,597)
Balance at end of year		**P 4,480,955,520**	P 3,842,969,180

These debt securities pertain to local and foreign securities issued by corporate and government entities. Effective interest rates of peso denominated securities range from 4.18% to 5.84%, and from 4.06% to 5.48% in 2024 and 2023, respectively. On the other hand, foreign currency denominated securities earn effective interest ranging from 3.74% to 5.25%, and from 3.57% to 5.82% in 2024 and 2023, respectively.

The total interest earned on financial assets at FVOCI amounted to P243,231,134 and P174,129,971 in 2024 and 2023, respectively, and are presented in the statements of income. The outstanding interest receivable on financial assets at FVOCI amounting to P57,757,796 and P51,606,410 as of December 31, 2024 and 2023, respectively.

Disposals of securities resulted in net losses of P1,739,518 and P40,076,540 in 2024 and 2023, respectively (see Note 18.2), and are included as part of Trading and Securities Gain in the statements of income.

The movements of the Bank's credit losses on financial assets at FVOCI are presented in Note 4.3.5(g) and (h). Net recoveries amounting to P205,611 and P1,030,308 in 2024 and 2023, respectively, are presented as part of Impairment Losses account in the statements of income with corresponding charge to Unrealized Gains (Losses) on Financial Assets at FVOCI in the statements of comprehensive income including revaluation amount of P27,334 and P11,397 in 2024 and 2023, respectively (see Note 18.2).

9. HELD-TO-COLLECT INVESTMENTS

This account is composed of the following:

	2024	2023
Debt securities:		
Government debt securities	**P 12,850,320,074**	P 12,359,556,790
Corporate debt securities	**1,955,354,136**	1,992,807,092
	14,805,674,210	14,352,363,882
Allowance for impairment	**(3,167,182)**	(10,977,436)
	P 14,802,507,028	P 14,341,386,446

As to currency, this account is composed of the following:

	2024	2023
Philippine peso	P 10,279,975,046	P 9,111,833,591
Foreign currencies	4,522,531,982	5,229,552,855
	P 14,802,507,028	P 14,341,386,446

Changes in the Bank's holdings of HTC investments are summarized below.

	2024	2023
Balance at beginning of year	P 14,341,386,446	P 13,922,836,829
Additions	5,723,739,276	2,948,016,302
Interest accrued	727,598,329	683,295,390
Amortization of premium	(76,229,114)	(79,156,780)
Foreign currency revaluation	223,208,407	(34,732,397)
Maturities and disposals	(6,145,191,610)	(3,091,593,923)
Reversal of (provision for) allowance for impairment	7,995,294	(7,278,975)
Balance at end of year	P 14,802,507,028	P 14,341,386,446

Annual interest rates on government debt securities range from 2.63% to 9.50% both in 2024 and 2023. The effective interest rate of government debt securities ranges from 2.77% to 6.60%, and from 2.74% to 6.79% in 2024 and 2023, respectively.

On the other hand, corporate debt securities have annual interest rates ranging from 2.50% to 7.25% both in 2024 and 2023. The effective interest rate of corporate debt securities ranges from 1.26% to 7.51%, and from 1.29% to 7.51% in 2024 and 2023, respectively.

Interest earned on HTC investments amounted P651,369,215 and P604,138,610 in 2024 and 2023, respectively, and are presented as part of Interest Income in the statements of income. The outstanding interest receivable on HTC investments amounting to P197,641,592 and P184,815,973 as of December 31, 2024 and 2023, respectively.

In 2023, the Bank disposed of certain debt securities from its HTC investment portfolio for funding purposes amounting to P291,698,010 resulting in a net gain of P677,340, which is presented as part of Trading and Securities Gain in the 2023 statement of income. Based on management's assessment, such disposals of debt securities are consistent with the Bank's business model with the objective of collecting contractual cash flows and have qualified under the permitted sale events set forth in the Bank's business model in managing financial assets manual and the requirements of PFRS 9. The disposal of investment securities was approved by the RMC in compliance with the documentation requirements of the BSP. There was no disposal made for HTC investments in 2024.

The movements of the Bank's allowance for impairment are presented in Note 4.3.5(g) and (h). Net recoveries amounting to P7,995,294 in 2024 and net impairment amounting to P7,278,975 in 2023 are presented as part of Impairment Losses account in the statements of income.

In compliance with the regulations that govern the Bank's trust functions, government bonds owned by the Bank are deposited with the BSP with a total face value of P6,650,000,000 and P6,400,000,000 as at December 31, 2024 and 2023, respectively (see Note 25).

10. LOANS AND RECEIVABLES

Loans and receivables consist of the following:

	2024	2023
Receivables from customers	P 1,419,756,570	P 2,986,556,402
Allowance for impairment	(83,387)	(2,305,862)
	1,419,673,183	2,984,250,540
SPURRA	450,282,500	399,577,847
Other receivables	463,049,915	290,394,601
Allowance for impairment	(127,477,850)	(26,880,816)
	785,854,565	663,091,632
	P 2,205,527,748	P 3,647,342,172

The maturity profile of the Bank's receivables from customers are as follows:

	2024	2023
Within one year	P 115,859,950	P 739,762,309
Beyond one year within five years	886,646,781	1,771,419,254
Beyond five years	417,249,839	475,374,839
	P 1,419,756,570	P 2,986,556,402

As to security, receivables from customers are classified into:

	2024	2023
Secured	P 1,419,756,570	P 2,941,887,142
Unsecured	-	44,669,260
	P 1,419,756,570	P 2,986,556,402

Receivables from customers earn effective interest at rates ranging from 4.90% to 5.28%, and from 3.24% to 7.22% per annum in 2024 and 2023, respectively. The total interest earned on loans and receivables amounted to P177,545,135 and P253,568,261 in 2024 and 2023, respectively, and are presented as part of Interest Income in the statements of income.

All of the Bank's outstanding loans and receivables as of December 31, 2024 and 2023 are categorized as performing. The SPURRA held by the Bank has an average term of 1 day with an average interest rate from 5.65% to 6.52% in 2024 and average term of 1 day with an average interest rate from 5.50% to 6.39% in 2023.

The movements of the Bank's allowance for impairment for receivables from customers and other receivables are presented in Note 4.3.5(g) and (h). Net recoveries on receivables from customers amounting to P2,331,838 and P2,024,606 in 2024 and 2023, respectively, and net impairment on other receivables amounting to P100,597,034 in 2024, are presented as part of Impairment Losses account in the statements of income.

No additional appropriation was made in 2024 and 2023 since the Bank has reached the statutory limits following the requirement of the BSP to provide general loan loss provisions representing the excess of the 1% required allowance over the computed allowance for ECL on loans and other receivables and that the outstanding balance already covers the required amount for the year.

11. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization at the beginning and end of 2024 and 2023 are shown below and in the succeeding page.

	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (see Note 12)	Total
December 31, 2024				
Cost	**P 179,903,564**	**P 203,008,781**	**P 309,142,488**	**P 692,054,833**
Accumulated depreciation and amortization	**(154,466,773)**	**(179,418,828)**	**(130,674,062)**	**(464,559,663)**
Net carrying amount	**P 25,436,791**	**P 23,589,953**	**P 178,468,426**	**P 227,495,170**
December 31, 2023				
Cost	P 170,880,929	P 182,510,688	P 302,990,438	P 656,382,055
Accumulated depreciation and amortization	(147,484,891)	(174,106,771)	(126,359,687)	(447,951,349)
Net carrying amount	P 23,396,038	P 8,403,917	P 176,630,751	P 208,430,706
January 1, 2023				
Cost	P 167,452,198	P 175,338,688	P 223,778,274	P 566,569,160
Accumulated depreciation and amortization	(142,261,441)	(170,105,053)	(89,294,989)	(401,661,483)
Net carrying amount	P 25,190,757	P 5,233,635	P 134,483,285	P 164,907,677

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2024 and 2023 is as follows:

	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (see Note 12)	Total
Balance at January 1, 2024, net of accumulated depreciation and amortization	**P 23,396,038**	**P 8,403,917**	**P 176,630,751**	**P 208,430,706**
Additions	**11,873,987**	**20,498,093**	**65,148,445**	**97,520,525**
Disposal	**(4,211)**	**-**	**-**	**(4,211)**
Depreciation and amortization charges for the year	**(9,829,023)**	**(5,312,057)**	**(63,310,770)**	**(78,451,850)**
Balance at December 31, 2024, net of accumulated depreciation and amortization	**P 25,436,791**	**P 23,589,953**	**P 178,468,426**	**P 227,495,170**

	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (see Note 12)	Total
Balance at January 1, 2023, net of accumulated depreciation and amortization	P 25,190,757	P 5,233,635	P 134,483,285	P 164,907,677
Additions	8,269,424	7,190,000	92,835,065	108,294,489
Disposal	(2,596)	-	(1,267,704)	(1,270,300)
Reclassifications, net of accumulated depreciation	(128)	(6)	-	(134)
Depreciation and amortization charges for the year	(10,061,419)	(4,019,712)	(49,419,895)	(63,501,026)
Balance at December 31, 2023, net of accumulated depreciation and amortization	P 23,396,038	P 8,403,917	P 176,630,751	P 208,430,706

In 2024 and 2023, the Bank disposed of certain furniture, fixtures and equipment with carrying amount of P4,211 and P2,596, respectively. The resulting gain on asset disposal amounting to P290,016 and P28,154 in 2024 and 2023, respectively, is presented as part of Others under Other Income account in the statements of income.

In 2023, the Bank opted to preterminate one lease agreement for a certain office and administrative space with carrying amount of P1,267,704 (see Note 12). Gain on termination of lease agreement amounting to P35,688 is presented as part of Others under Other Income in the 2023 statement of income. No pretermination of leases were made in 2024.

The total cost of fully depreciated assets, consisting of furniture, fixtures and equipment amounted to P128,731,017 and P120,731,954 in 2024 and 2023, respectively, and are still being used by the Bank.

The BSP requires that investments in bank premises, furniture, fixtures and equipment do not exceed 50% of the Bank's unimpaired capital. As of December 31, 2024 and 2023, the Bank has satisfactorily complied with this requirement.

12. LEASES

The Bank has leases for certain office and administrative spaces. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected as a Right-of-use assets under Bank Premises, Furniture, Fixtures and Equipment account (see Note 11) and as Lease liabilities under Accrued Expenses and Other Liabilities account (see Note 17) in the statements of financial position.

Each lease generally imposes a restriction that, unless there is a contractual right for the Bank to sublet the asset to another party, the right-of-use asset can only be used by the Bank. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Bank is prohibited from selling or pledging the underlying leased assets as security. For leases over office and administrative spaces, the Bank must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Bank must ensure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The Bank has 19 right-of-use assets leased with remaining lease term ranging from one to five years having an average remaining lease term of three years. These leased assets do not have any enforceable extension options, options to purchase and termination options.

The carrying amount of the Bank's right-of-use assets as at December 31, 2024 and 2023 and the movements during the period are shown in Note 11, while the movements in the lease liabilities are shown below (see Note 17).

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at December 31, 2024 and 2023 for the Bank are as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	More than 4 years	Total
December 31, 2024						
Lease payments	**P 70,313,528**	**P 61,665,428**	**P 36,150,660**	**P 28,192,303**	**P 8,865,621**	**P205,187,540**
Finance charges	**(8,989,302)**	**(5,905,226)**	**(3,346,742)**	**(1,458,419)**	**(153,742)**	**(19,853,431)**
Net present value	**P 61,324,226**	**P 55,760,202**	**P 32,803,918**	**P 26,733,884**	**P 8,711,879**	**P185,334,109**
December 31, 2023						
Lease payments	P 59,862,564	P 53,653,607	P 44,937,231	P 21,419,760	P 19,685,120	P199,558,282
Finance charges	(7,961,776)	(5,684,922)	(3,420,982)	(1,830,576)	(809,695)	(19,707,951)
Net present value	P 51,900,788	P 47,968,685	P 41,516,249	P 19,589,184	P 18,875,425	P179,850,331

The total cash outflow in respect of leases amounted to P70,061,137 and P55,312,243 in 2024 and 2023, respectively, for the Bank. Interest expense in relation to lease liabilities amounted to P10,396,470 and P6,150,877 in 2024 and 2023, respectively, are presented as part of Others under Interest Expense account in the statements of income.

The Bank has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The expenses relating low-value assets amounted to P1,561,807 and P1,487,403 in 2024 and 2023, respectively. No expenses related to short-term leases both in 2024 and 2023. These are presented as part of Occupancy under Other Expenses account in the statements of income. As of December 31, 2024 and 2023, there are no lease commitments relating to short-term leases and low-value assets.

Presented below is the reconciliation of the Bank's lease liability arising from financing activity, which included both cash and non-cash changes.

	2024	2023
Balance at beginning of year	**P 179,850,331**	P 137,480,024
Cash flows from financing activities –		
Repayment of lease liabilities	**(59,664,667)**	(49,161,366)
Non-cash financing activities –		
Additional lease liabilities	**65,148,445**	92,835,065
Pretermination of lease contract	**-**	(1,303,392)
Balance at end of year	**P 185,334,109**	P 179,850,331

13. OTHER RESOURCES

This account consists of:

	Notes	2024	2023
Computer software - net		**P 110,455,641**	P 136,713,205
Post-employment defined benefit asset	22.2	**44,681,810**	58,121,351
Deferred tax assets - net	24.1	**13,570,432**	11,761,271
Prepaid expenses		**6,536,754**	6,934,386
Creditable withholding taxes		**4,114,403**	2,057,161
Security deposits		**4,038,643**	3,398,024
Documentary stamps		**2,251,360**	3,209,047
Sundry debits		**579,146**	4,410,564
Others		**64,979,581**	18,604,064
		P 251,207,770	P 245,809,073

Amortization charges related to software costs amounted to P42,883,972 and P41,644,022 in 2024 and 2023, respectively, and are included as part of Depreciation and Amortization in the statements of income.

14. DEPOSIT LIABILITIES

The maturity profile of the Bank's deposit liabilities follows:

	2024	2023
Within one year	**P 20,016,938,593**	P 18,291,391,634
Beyond one year up to five years	**76,774,056**	691,647,690
	P 20,093,712,649	P 18,983,039,324

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

	2024	2023
Philippine peso	**P 10,060,102,466**	P 9,083,466,288
Foreign currencies	**10,033,610,183**	9,899,573,036
	P 20,093,712,649	P 18,983,039,324

Interest expense on deposit liabilities, which is presented in the statements of income, is comprised of:

	Note	2024	2023
Demand	23.1(c)	**P 77,161,292**	P 18,939,403
Time		**57,765,835**	102,546,742
		P 134,927,127	P 121,486,145

Interest rates on time deposits ranged from 0.05% to 6.00%, and from 0.10% to 4.61% per annum for 2024 and 2023, respectively. For demand deposits, interest rates ranged from 0.00% to 0.10%, per annum for both 2024 and 2023.

15. BILLS PAYABLE

Bills payable represents the Bank's borrowings from other local and foreign banks and entities which bear annual interest rates from 4.84% to 6.50%, in 2024 and from 4.61% to 6.75% in 2023. As of December 31, 2024, the Bank has no secured liabilities and assets pledged as security.

The outstanding amount of the Bank's bills payable are as follows:

	2024	2023
Secured bills payable from a foreign bank	**P 567,827,069**	P 589,767,441
Unsecured bills payable from a local bank	**578,839,220**	-
	P 1,146,666,289	P 589,767,441

Interest expense on bills payable amounted to P65,004,515 and P35,179,916 in 2024 and 2023, respectively, and is presented as Interest Expense on Bills Payable in the statements of income.

Presented below is the reconciliation of the Bank's bills payable arising from financing activities, which includes both cash and non-cash changes.

	BSP	**Local Banks**	**Foreign Banks**	**Total**
Balance at January 1, 2024	**P -**	**P -**	**P 589,767,441**	**P 589,767,441**
Cash flows from financing activities:				
Additional borrowings	**10,000,000**	**8,669,435,000**	**1,124,663,173**	**9,804,098,173**
Repayments of borrowings	**(10,000,000)**	**(8,042,885,000)**	**(1,157,221,331)**	**(9,210,106,331)**
Payments of interest	**(1,806)**	**(37,653,586)**	**(19,905,018)**	**(57,560,410)**
Non-cash financing activities:				
Interest amortization	**1,806**	**38,776,416**	**26,226,293**	**65,004,515**
Revaluation	**-**	**(48,833,610)**	**4,296,511**	**(44,537,099)**
Balance at December 31, 2024	**P -**	**P 578,839,220**	**P 567,827,069**	**P 1,146,666,289**
Balance at January 1, 2023	P -	P 845,754,177	P -	P 845,754,177
Cash flows from financing activities:				
Additional borrowings	10,000,000	1,895,300,000	1,153,651,198	3,058,951,198
Repayments of borrowings	(10,000,000)	(2,723,250,000)	(580,576,991)	(3,313,826,991)
Payments of interest	(1,875)	(18,750,569)	(15,934,903)	(34,687,347)
Non-cash financing activities:				
Interest amortization	1,875	9,486,379	25,691,662	35,179,916
Revaluation	-	(8,539,987)	6,936,475	(1,603,512)
Balance at December 31, 2023	P -	P -	P 589,767,441	P 589,767,441

16. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank uses derivative instruments for both hedging and non-hedging purposes. Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Currency and interest swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates or a combination of all these. No exchange of principal takes place, except for certain currency swaps. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation.

This risk is monitored on an on-going basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized in the statements of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks.

The derivative instruments become favorable or unfavorable as a result of fluctuations in market interest rates, foreign exchange rates and other underlying relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

The fair values of derivative instruments held are set out below [see Notes 7 and 23.1(g)].

	Notional Amount	Fair Values	
		Assets	Liabilities
December 31, 2024			
Free-standing			
Cross currency swaps	**P 50,319,151,990**	**P 3,672,120,168**	**P 3,296,293,761**
Forward contracts	**5,118,038,461**	**39,154,990**	**28,726,264**
	P 55,437,190,451	**P 3,711,275,158**	**P 3,325,020,025**
December 31, 2023			
Free-standing			
Cross currency swaps	P 68,089,518,486	P 3,712,756,483	P 3,388,226,643
Forward contracts	27,456,554,107	371,125,211	62,939,024
	P 95,546,072,593	P 4,083,881,694	P 3,451,165,667

The changes in fair value of derivative assets and liabilities determined using a valuation technique amounted to a loss of P255,501,151 and P348,142,735 in 2024 and 2023, respectively [see Note 5.3(b)]. Related gain or loss recognized from the changes in fair value of derivative assets and liabilities are included as part of Trading and securities gains in the statements of income.

17. ACCRUED EXPENSES AND OTHER LIABILITIES

The breakdown of this account are as follows:

	Note		**2024**		2023
Manager's checks		**P**	**671,473,221**	P	39,598,693
Lease liabilities	12		**185,334,109**		179,850,331
Sundry credits			**105,103,438**		111,760,098
Accrued expenses			**94,945,613**		43,967,730
Accrued taxes			**93,253,691**		73,493,160
Withholding taxes			**50,278,702**		38,011,958
Due to Treasury of the Philippines			**294,609**		294,609
Margin deposits			**-**		46,510,800
Others			**57,218,079**		14,261,361
		P	**1,257,901,462**	P	547,748,740

Margin deposits consist of placements offered to the Bank as security on its derivative transactions with certain counterparties. The total interest incurred on margin deposits amounted to P927,044 and P661,803 in 2024 and 2023, respectively, and is included as part of Others under Interest Expense account in the statements of income. In 2024, others include cash items awaiting settlement of coupon on cross currency swap and redemption of client investment in money market. No similar transactions occurred in 2023.

18. EQUITY

18.1 Share Capital

The Bank has authorized capital stock of 2,500,000 voting shares, with par value of P1,000 per share, 2,165,000 of which are issued and outstanding for a total amount of P2,165,000,000 as at December 31, 2024 and 2023.

As of December 31, 2024 and 2023, the Bank has only one stockholder owning 100 or more shares of the Bank's capital stock.

18.2 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the statements of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below.

	Notes	Unrealized Gains (Losses) on Financial Assets at FVOCI	Accumulated Actuarial Gains (Losses)	Total
Balance as of January 1, 2024		**(P 116,095,781)**	**(P 93,767,306)**	**(P 209,863,087)**
Unrealized gains during the year	8	**(5,618,265)**	**-**	**(5,618,265)**
Transfer of net realized gains to profit or loss on disposal of debt securities	8	**1,739,518**	**-**	**1,739,518**
Reversal of credit losses on financial assets at FVOCI	8	**(178,277)**	**-**	**(178,277)**
Remeasurements of post-employment defined benefit obligation	22.2	**-**	**(14,987,764)**	**(14,987,764)**
Other comprehensive loss before tax		**(4,057,024)**	**(14,987,764)**	**(19,044,788))**
Tax expense	24.1	**-**	**3,746,941**	**3,746,941**
Other comprehensive loss after tax		**(4,057,024)**	**(11,240,823)**	**(15,297,847)**
Balance as of December 31, 2024		**(P 120,152,805)**	**(P 105,008,129)**	**(P 225,160,934)**
Balance as of January 1, 2023		(P 282,143,103)	(P 94,657,117)	(P 376,800,220)
Unrealized gains during the year	8	126,989,693	-	126,989,693
Transfer of net realized losses to profit or loss on disposal of debt securities	8	40,076,540	-	40,076,540
Reversal of credit losses on financial assets at FVOCI	8	(1,018,911)	-	(1,018,911)
Remeasurements of post-employment defined benefit obligation	22.2	-	1,186,414	1,186,414
Other comprehensive gain before tax		166,047,322	1,186,414	167,233,736
Tax expense	24.1	-	(296,603)	(296,603)
Other comprehensive gain after tax		166,047,322	889,811	166,937,133
Balance as of December 31, 2023		(P 116,095,781)	(P 93,767,306)	(P 209,863,087)

18.3 Surplus Reserve

Surplus reserves pertain to reserve for trust business representing the accumulated amount set aside by the Bank under existing regulations requiring the Bank to carry to surplus 10% of its net profits accruing from its trust business until the surplus shall amount to 20% of its authorized capital stock and, to the appropriation related to general loan loss provision as prescribed by the BSP.

In compliance with the requirements of the General Banking Act relative to the Bank's trust functions, certain percentage of the trust income is transferred to surplus reserve. This yearly transfer is required until the surplus reserve for trust function is equivalent to 20% of the Bank's authorized capital stock. No additional appropriation was made in 2024 and 2023 since the Bank already reached the statutory limits and that the outstanding balance already covers the required amount for the current year. As of December 31, 2024 and 2023, accumulated appropriated surplus related to the Bank's trust functions amounted to P500,000,000.

Further, the Bank did not make additional appropriation in 2023 and 2022 since the Bank already reached the statutory limits following the requirement of the BSP to provide general loan loss provisions representing the excess of the 1% required allowance over the computed allowance for ECL on loans and the outstanding balance already covers the required amount for the year. As of December 31, 2024 and 2023, accumulated appropriation for general loan loss provision amounted to P40,989,295.

18.4 Surplus Free

Surplus free includes all current and prior period results as disclosed in statement of income and which are available and not restricted for use by the Bank, reduced by the amounts of dividends declared, if any.

No dividend declarations were made in 2024 and 2023.

As of December 31, 2024 and 2023, the balance of surplus free of the Bank is in excess of its paid-in capital.

18.5 Capital Management

On January 15, 2009, the BSP issued Circular No. 639 articulating the need for banks to adopt and document an Internal Capital Adequacy Assessment Process (ICAAP). All universal and commercial banks are expected to perform a thorough assessment of all their material risks and maintain adequate capital to support these risks. This is intended to complement the current regulatory capital requirement of at least 10% of risk assets, which covered only credit, market and operational risks.

The BDO Group is complying with the BSP's ICAAP requirements. BDO Unibank is driving the preparation and compliance requirements of the ICAAP bankwide/group-wide policies. Annually, as required, BDO Unibank submits its updated ICAAP to the BSP. The Bank is closely coordinating with BDO Unibank regarding said policies.

The Bank's lead regulator, the BSP, sets and monitors capital requirements for the Bank. In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed ratio of qualifying capital to risk-weighted assets.

The BSP has adopted the Basel 3 risk-based capital adequacy framework effective January 1, 2014, which requires the Bank, as a subsidiary of a universal bank required to adopt Basel 3, to maintain the following:

(a) Common Equity Tier 1 (CET1) of at least 10.375% of risk-weighted assets;
(b) Tier 1 Capital of at least 7.5% of risk-weighted assets;
(c) Qualifying Capital (Tier 1 plus Tier 2 Capital) of at least 11.875% of risk-weighted assets; and,
(d) Capital Conservation Buffer of 2.5% of risk-weighted assets, comprised of CET1 Capital.

The regulatory capital is analyzed as CET1 Capital, Additional Tier 1 Capital and Tier 2 Capital, each adjusted for prescribed regulatory deductions.

Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by 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 as determined by the Monetary Board of the BSP.

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

At the end of each reporting period, the Bank has complied with the prescribed ratio of qualifying capital to risk-weighted assets.

Further, under an existing BSP circular, commercial banks must meet a minimum capital threshold amounting to P2.0 billion. As of December 31, 2024 and 2023, the Bank has complied with the above capitalization requirement.

The Bank's regulatory capital position based on the Basel 3 risk-based capital adequacy framework as of December 31, 2024 and 2023 are as follows:

	2024	2023
Tier 1 Capital		
CET 1	**P 7,333,405,572**	P 6,930,317,688
Additional Tier 1	**-**	-
	7,333,405,572	6,930,317,688
Tier 2 Capital	**41,072,681**	43,295,156
Total Regulatory Capital	**7,374,478,253**	6,973,612,844
Deductions	**(164,401,202)**	(212,095,927)
Total Qualifying Capital	**P 7,210,077,051**	P 6,761,516,917
Total Risk Weighted Assets	**P 19,740,710,897**	P 20,596,566,105
Capital ratios:		
CET 1 Ratio	**36.32%**	32.62%
Capital Conservation Buffer	**30.32%**	26.62%
Tier 1 Capital Ratio	**36.32%**	32.62%
Total Capital Adequacy Ratio	**36.52%**	32.83%

18.6 Leverage Ratio

On June 9, 2015, the BSP issued Circular No. 881, *Implementing Guidelines on the Basel III Leverage Ratio Framework*, which provides the implementing guidelines on the leverage ratio framework designed to act as a supplementary measure to the risk-based capital requirements. It sets out a minimum leverage ratio of 5.00% and shall be complied with at all times.

The Basel III leverage ratio is defined as the ratio of capital measure (Tier 1 Capital) and the exposure measure which include on-balance sheet, derivatives and securities financing transactions exposures and off-balance sheet items.

The Bank's Basel III Leverage Ratio (BLR) have been stable and are comfortably above the regulatory floor as reported to the BSP:

	2024	2023
BLR	**18.9%**	19.1%

18.7 Liquidity Coverage Ratio and Net Stable Funding Ratio

On March 10, 2016, the BSP issued Circular No. 905, *Implementation of Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio and Disclosure Standards*, which provides the implementing guidelines on liquidity coverage ratio (LCR) and disclosure standards that are consistent with the Basel III framework. Circular No. 905 requires the Bank to maintain available High Quality Liquid Assets (HQLA) to meet anticipated net cash outflows for a 30-day period under stress conditions. The Bank has fully complied with the LCR minimum requirement of 100% coverage effective January 1, 2019.

To strengthen the Bank's short-term liquidity position and as a defense against potential onset of liquidity stress, it maintains adequate stock of unencumbered HQLAs that consists of cash or assets that can be freely converted into cash at little or no loss of value in private markets.

The Bank's LCR as of December 31, 2024 and 2023 have been stable and are comfortably above the regulatory floor as summarized below.

	2024	2023
LCR	**136.4%**	121.1%

Net Stable Funding Ratio (NSFR), as detailed in BSP Circular No. 1007, *Implementing Guidelines on the Adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio*, is an assessment of the level of sustainable funding required to reduce funding risk over a one-year time horizon. The NSFR complements the LCR, which promotes short-term resilience of the Bank's liquidity profile. The Bank has fully complied with the NSFR minimum requirement of 100% coverage effective January 1, 2019.

To promote long-term resilience against liquidity risk, the Bank maintains a stable funding profile in relation to the composition of its assets and off-balance sheet activities and seeks to meet this objective by limiting overreliance on short-term wholesale funding and promoting enhanced assessment of funding risk across all on- and off-balance sheet accounts.

The Bank's Basel III NSFR as of December 31, 2024 and 2023 have been stable and are comfortably above the regulatory floor as summarized below.

	2024	2023
NSFR	**148.1%**	128.2%

19. SERVICE CHARGES, FEES AND COMMISSIONS

This account is composed of the following:

	Notes	2024	2023
Trust fees	23.1(f), 25	**P 1,437,044,322**	P 1,379,905,274
Others - net	23.1(e)	**215,049,520**	8,998,203
		P 1,652,093,842	P 1,388,903,477

Trust fees are revenue from asset management services and are recognized over time as the services are provided.

20. THIRD PARTY INFORMATION

Third party information under Other Expenses accounts in the statements of income refers to service charges incurred by the Bank for market data obtained from providers such as Refinitive, Bloomberg, Morningstar (used in the Bank's treasury operations and research activities) and also SAAS applications provided by Avaloq.

21. OTHER EXPENSES

This account is composed of the following:

	2024	2023
Transfer fees and charges	**P 47,313,325**	P 42,012,720
Security, messengerial and janitorial services	**35,148,999**	26,703,676
Advertising	**24,257,407**	6,805,075
Repairs and maintenance	**23,705,700**	15,691,667
Custodianship fees	**23,360,614**	28,535,272
Communication	**6,626,138**	6,868,944
Stationery and supplies	**6,367,379**	5,353,548
Courier services	**1,742,510**	1,041,304
Contractual services	**1,666,483**	722,609
Fines, penalties and other charges	**-**	138,875
Miscellaneous	**5,218,030**	7,946,160
	P 175,406,585	P 141,819,850

22. EMPLOYEE BENEFITS

22.1 Employee Benefits

The total expense recognized by the Bank for employee benefits is broken down below.

	Note	2024	2023
Salaries and wages		**P 835,743,349**	P 573,565,465
Post-employment defined benefit	22.2	**45,661,869**	37,604,934
Social security and medical benefits		**25,017,462**	15,239,420
Others		**959,989**	317,816
		P 907,382,669	P 626,727,635

The salaries and wages account includes the expense recognized arising from the Executive Stock Option Plan [see Notes 2.11].

22.2 Post-employment Defined Benefit

(a) Characteristics of the Defined Benefit Plan

The Bank maintains a funded, tax-qualified, non-contributory and multi-employer post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Bank. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of 5 years of credited service. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 60, both subject to the approval of the Bank's BOD. Normal retirement benefit is an amount equivalent to 150% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2024 and 2023.

The amounts of post-employment defined benefit asset recognized in the statements of financial position are presented as part of Other Resources (see Note 13) are as follows:

	2024	2023
Present value of obligation	**P 756,167,884**	P 553,542,050
Fair value of plan assets	**(803,548,475)**	(617,171,346)
	(47,380,591)	(63,629,296)
Effect of asset ceiling	**2,698,781**	5,507,945
	(P 44,681,810)	(P 58,121,351)

The movements in the present value of the post-employment benefit obligation recognized in the books are as follows:

		2024		2023
Balance at beginning of year	P	**553,542,050**	P	472,994,871
Current service cost		**45,661,869**		37,604,934
Interest cost		**44,509,566**		34,665,684
Remeasurements – actuarial losses (gains) arising from:				
Experience adjustments	(	**7,514,467)**	(	44,090,662)
Changes in financial assumptions		**34,029,427**		31,349,668
Changes in demographic assumptions		**7,752,363**		630,276
Transfer to the plan		**117,578,067**		96,512,312
Benefits paid	(	**39,390,991)**	(	76,125,033)
Balance at end of year	**P**	**756,167,884**	P	553,542,050

The movements in the fair value of plan assets are presented below.

		2024		2023
Balance at beginning of year	P	**617,171,346**	P	488,249,948
Interest income		**46,974,887**		41,122,068
Return on plan assets (excluding amounts included in net interest)		**16,089,245**	(	6,587,949)
Transfer to the plan		**117,578,067**		96,512,312
Benefits paid	(	**39,390,991)**	(	76,125,033)
Contributions		**45,125,921**		74,000,000
Balance at end of year	**P**	**803,548,475**	P	617,171,346

The composition of the fair value of plan assets at the end of the reporting period for each category and risk characteristics is shown below [see Note Note 22(b)].

		2024		2023
Placements in debt instruments:				
Government bonds	P	**430,751,706**	P	328,014,404
Corporate bonds		**61,966,151**		72,810,959
Cash and cash equivalents		**160,811,776**		109,607,923
Unit investment trust funds (UITF)		**70,638,396**		51,633,005
Loans and other receivables		**2,676,189**		2,714,432
Equity instruments		**72,385,320**		48,148,341
Other properties		**4,318,937**		4,242,282
	P	**803,548,475**	P	617,171,346

The fair value of the plan assets is at Level 1 in the fair value hierarchy except for UITFs which are at Level 2, and loans and other receivables and other properties, which are at Level 3.

The plan assets recognized a gain of P63,064,132 and P34,534,119 in 2024 and 2023, respectively.

Plan assets do not comprise any of the Bank's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit plan are as follows:

	Notes	2024	2023
Recognized in profit or loss:			
Current service cost	22.1	**P 45,661,869**	P 37,604,934
Net interest expense		**(2,465,321)**	(6,456,384)
Interest on effect of the asset ceiling		**381,150**	83,561
		P 43,577,698	P 31,232,111
Recognized in other comprehensive income (loss):			
Actuarial gains (losses) arising from changes in:			
-financial assumptions		**(34,029,427)**	(31,349,668)
-demographic assumptions		**(7,752,363)**	(630,276)
-experience adjustment		**7,514,467**	44,090,662
Return on plan assets (excluding amounts included in net interest expense)		**16,089,245**	(6,587,949)
Effect of asset ceiling		**3,190,314**	(4,336,355)
	18.2	**(14,987,764)**	1,186,414
Deferred tax income (expense)	24.1	**3,746,941**	(296,603)
		(P 11,240,823)	P 889,811

Current service cost is presented in the statements of income under Employee Benefits while net interest income and interest on effect of the asset ceiling are classified as part of Others under Interest Expense account in the statements of income.

Amounts recognized in other comprehensive income (loss) were presented as an item that will not be reclassified subsequently to profit or loss.

In determining retirement benefits, the following actuarial assumptions were used:

	2024	2023
Discount rates	**6.04%**	6.92%
Salary increase rate	**7.80%**	8.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 65 is 26 for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of interpolated yields of government bonds with terms to maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with Retirement Plan

The plan exposes the Bank to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has investments in debt instruments, cash and cash equivalents, UITF, loans and other receivables, equity securities and other properties. Due to the long-term nature of plan obligation, a level of continuing debt investments is an appropriate element of the Bank's long-term strategy to manage the plans efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Bank's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described as follows:

(e) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31:

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
December 31, 2024			
Discount rate	**+/- 1%**	**(P 29,182,569)**	**P 31,705,697**
Salary increase rate	**+/- 1%**	**31,298,585**	**(29,374,397)**
December 31, 2023			
Discount rate	+/- 1%	(P 20,388,645)	P 22,237,055
Salary increase rate	+/- 1%	22,253,526	(20,782,656)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the retirement benefit obligation recognized in the statements of financial position.
The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Bank through its BOD, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Bank actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations. In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets as of December 31, 2024 and 2023 consists of debt instruments and UITF, although the Bank also invests in cash and cash equivalents, loans and other receivables, equity securities and other properties.

There has been no change in the Bank's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

The plan is currently overfunded by P47.4 million based on the latest actuarial valuation as of December 31, 2024. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 10 years' time when a significant number of employees is expected to retire.

The Bank expects to make contribution of P56.7 million to the plan during the next financial year.

The maturity profile of undiscounted expected benefits payments from the plan from the end of each reporting period follows:

	2024	2023
Within one year	**P 239,575,194**	P 168,323,648
More than one year to five years	**564,702,615**	422,094,082
More than five years	**537,807,553**	429,823,281
	P 1,342,085,362	P 1,020,241,011

23. RELATED PARTY TRANSACTIONS

The summary of the Bank’s transactions with its related parties as of and for the years ended December 31, 2024 and 2023 are as follows (amounts in thousands):

		2024		2023	
Related Party Category	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance
BDO Unibank:					
Loan transfer	23.1(a)	**(P 895,115)**	**P -**	P -	P -
Bills payable	23.1(b)	**10,169,435**	**578,450**	2,724,150	-
Interest expense	23.1(b)	**38,776**	**389**	9,486	-
Due from other banks (net of withdrawals)	23.1(c)	**(6,331)**	**296,199**	42,575	302,530
Interest income	23.1(c)	**150**	**-**	101	-
Lease transactions	23.1(d)				
Right-of-use assets		**49,702**	**121,374**	44,878	118,028
Lease liabilities		**(2,252)**	**125,241**	251	120,620
Depreciation expense		**46,355**	**-**	39,808	-
Interest expense		**6,872**	**-**	5,010	-
Other income		**-**	**-**	36	-
Rental		**214**	**-**	194	-
Service fee expense	23.1(e)	**55,172**	**-**	46,985	-
Service fee income	23.1(e)	**177,790**	**-**	-	-
Trust fee	23.1(f)	**64,296**	**-**	44,951	-
Derivative transactions	23.1(g)				
Derivative assets					
Buy: PHP/ USD		**$ 48,000**	**$ 404**	$ 146,000	$ 2,820
Buy: USD/ PHP		**568,000**	**-**	725,000	-
Derivative liabilities					
Buy: PHP/ USD		**740,504**	**284**	666,000	279
Buy: USD/ PHP		**8,000**	**-**	-	-
Buy EUR/ USD		**-**	**-**	3,369	-
Buy JPY/ USD		**-**	**-**	271	-
FX Spot transactions					
Buy PHP/ USD		**3,036**	**-**	9,500	-
Buy EUR/ USD		**2,794**	**-**	-	-
Buy AUD/ USD		**258**	**-**	-	-
Buy USD/ PHP		**106,000**	**8**	65,500	3
Entity under common ownership:					
Deposit liabilities (net of withdrawals)	23.1(c)	**(P 90,129)**	**P 11,491**	(P 42,405)	P 101,619
Interest expense	23.1(c)	**1,056**	**-**	1,825	50
Service fees	23.1(e)	**32,765**	**21,911**	5,399	4,973
Trust fee	23.1(f)	**66**	**-**	61	-
Insurance	23.1(h)	**853**	**-**	561	-
Other expenses	23.1(h)	**-**	**-**	438	438
Other transactions – Loans	23.1(i)	**-**	**-**	(5,028)	-
Key management personnel compensation	23.2	**208,410**	**-**	171,423	-
Retirement plan	23.3	**186,377**	**803,549**	128,921	617,171

The Bank’s outstanding receivables with related parties were subjected to impairment using the ECL model [see Note 2.3]. Based on management’s assessment, no impairment loss is required to be recognized in 2024 and 2023.

23.1 Nature of Related Party Transactions

The transactions conducted by the Bank with related parties in the normal course of business are described below and in the succeeding pages.

(a) In 2024, the Bank transferred a certain loan account to BDO Unibank with outstanding balance amounting to P895,114,591 at the time of transfer and bears an annual interest of 7.8947%. The same amount was received by the Bank from BDO Unibank as a result of the transfer.

(b) In 2024, the Bank entered into interbank bills payable with BDO Unibank. The outstanding unsecured bills payable amounted to P578,450,000 from this transaction as of December 31, 2024 (nil as of December 31, 2023). Interest expense recognized from the outstanding bills payable amounted to P38,776,416 in 2024, while interest expense recognized from bills payable with no outstanding balance amounted to P9,486,379 in 2023. Interest expense is presented as part of Interest Expense on Bills payable in the statements of income while the outstanding balance is presented as part of Bills payable in the statement of financial position (see Note 15).

(c) The Bank maintains deposits with BDO Unibank which are included as part of Due from Other Banks account in the statements of financial position (see Note 6.2). The interest rates on these deposits ranged from 0.00% to 0.06% per annum both in 2024 and 2023. Interest income earned amounted to P149,544 and P101,419 for 2024 and 2023, respectively, and is presented as part of Interest income on Due from BSP and Other Banks in the statements of income.

The Bank holds demand deposits from BDO Securities Corporation, an entity under common ownership, with annual interest rates at 0.00% to 2.00% both in 2024 and 2023. Interest expense recognized amounted to P1,055,888 with no outstanding balance and P1,824,567 with outstanding balance of P49,506 in 2024 and 2023, respectively. Interest expense is presented as part of Interest Expense on Deposit Liabilities in the statements of income while the outstanding balance is presented as part of Deposit Liabilities in the statement of financial position (see Note 14).

(d) In 2024 and 2023, the Bank entered to new and renew lease agreement with BDO Unibank for various offices and lounges for a monthly rental of P983,629 and P928,021, respectively. The lease term is for a period of five years and is payable in cash. Other lease agreements for the Bank's lounges remain outstanding in 2024 and 2023 for a total monthly rental of P3,391,932 and P3,312,663, respectively.

Under PFRS 16, the Bank, as a lessee, recognized right-of-use assets related to lease of space from BDO Unibank amounting to P121,374,366 and P118,027,526 as of December 31, 2024 and 2023, respectively, which is presented as part of Bank Premises, Furniture, Fixtures and Equipment account (see Note 11). Depreciation expense and amortization of the right-of-use assets arising from this transaction amounting to P46,354,745 and P39,808,174 in 2024 and 2023, respectively, is presented as part of Depreciation and amortization under Other Expenses account in statements of income. Total interest expense on lease liability amounting to P6,872,199 and P5,010,336 in 2024 and 2023, respectively, is included as part of Others under Interest Expense account in the statements of income. Outstanding balance arising from these transactions amounted to P125,240,809 and P120,620,376 as of December 31, 2024 and 2023, respectively, and is included as part of Lease liabilities under Accrued Expenses and Other Liabilities (see Note 17).

The expenses relating to low value leases amounted to P214,434 and P194,484 in 2024 and 2023, respectively, and as part of Occupancy under Other Expenses account in the statement of income (see Note 12). In 2023, there is a pretermination of one lease agreement resulting to a gain amounting to P35,688 presented as part of Others under Other Income account in the statements of income (see Note 11). No similar transactions occurred in 2024.

(e) In March 2012, the BSP approved the outsourcing of several functions to BDO Unibank. The arrangement will allow the Bank to tap the resources and expertise of BDO Unibank in the areas covered by the new agreement, specifically in the Bank's asset management, central operations, human resources management, information technology, internal audit services and risk management. The total expense incurred pertaining to this contract amounting to P55,171,705 and P46,985,063 in 2024 and 2023, respectively, and is presented as part of Service, management and professional fees under Other Expenses account in the statements of income. As of December 31, 2024 and 2023, there are no outstanding liabilities in relation to the agreement.

In 2024, the Bank also entered into an agreement with BDO Unibank, acting through its Trust and Investments Group, to offer investment advisory services with its clients for UITF transactions. The service fees earned amounted to P6,115,520 in 2024 (see Note 19). There were no outstanding balance from this transaction and there were no similar transactions in 2023.

In 2024, the Bank entered into an agreement with BDO Unibank to receive a monthly service fee based on the actual fees and commissions earned from clients referred to BDO Unibank. The service fees earned amounted to P171,674,334 in 2024 (see Note 19). There were no outstanding balance from this transaction and there were no similar transactions in 2023.

In 2024 and 2023, the Bank also entered into an agreement with BDO Securities to provide certain support services. The total income earned pertaining to this contract amounting to P32,764,935 and P5,399,040 in 2024 and 2023, respectively, and is presented as part of Service charges, fees and commissions under Other Income account in the statements of income. There is an outstanding balance of P21,910,758 and P4,972,971 in 2024 and 2023, respectively, presented as part of Loans and Receivables in the statement of financial position (see Note 10).

(f) The trust operation of the Bank entered into an agreement with trust operation of BDO Unibank, a fund provider for UITF transactions. There were no outstanding balance from this transaction. The total trust fees earned amounting to P64,296,050 and P45,951,011 in 2024 and 2023, respectively (see Note 19).

BDO Life Assurance Company Inc., an entity under common ownership, entered into agreement with the Bank. The total trust fees earned amounting to P66,085 and P61,353 in 2024 and 2023, respectively. The total trust fees is presented as part of Trust fees under Other Income account in the statements of income (see Note 19).

(g) In 2024 and 2023, the Bank entered into currency forward transactions with BDO Unibank. The outstanding derivative assets and liabilities are shown as part of Financial Assets at FVTPL under Trading and Investment Securities account and Derivative Financial Liabilities account in statements of financial position (see Notes 7 and 16).

(h) The Bank pays for the group life insurance of its employees and life & accident insurance of enrolled qualified remitters to BDO Life Assurance Company Inc. Total amount paid is included as part of Insurance under Other Expenses account in the statements of income. The total insurance amounted to P852,664 and P561,150 in 2024 and 2023, respectively.

In 2023, the Bank incurred expenses amounting to P438,312 payable to BDO Securities pertaining to various expenses related to the transfer of employees. Expenses are presented as part of Other Expenses in the statement of income while the outstanding balance is presented as part of Accrued Expenses and Other Liabilities in the statement of financial position (see Note 17). No similar transactions occurred in 2024.

(i) In 2022, the Bank granted a secured, interest-bearing loan amounting to P5,000,000 for a term of one year to a related party. The loan bears an annual interest of 7.00% In 2023, the loan was repaid in full. There is no similar transaction in 2024.

23.2 Key Management Personnel Compensation

The salaries and other benefits given to the Bank's key management personnel are as follows (amounts in thousands):

	2024	2023
Short-term benefits	**P 191,403**	P 161,470
Post-employment benefits	**17,007**	9,953
	P 208,410	P 171,423

23.3 Retirement Plan

The Bank's multi-employer retirement fund for its defined post-employment plan is administered and managed by the trustee department of BDO Unibank. The trustee department of BDO Unibank invests in certain debt and equity investments which includes financial instruments of BDO Unibank and Dominion Holdings Inc.

24. TAXES

24.1 Current and Deferred Taxes

The components of tax expense (income) for the years ended December 31 are as follows:

	Notes		2024		2023
Reported in profit or loss:					
Final tax at 20% and 10%		**P**	**160,389,449**	P	142,349,056
Regular Corporate Income Tax (RCIT) at 25% – FCDU			**658,630**		41,087
RCIT at 25% – Regular Banking Unit (RBU)			**102,754,517**		160,828,870
			263,802,596		303,219,013
Deferred tax expense relating to origination and reversal of temporary differences			**1,937,780**		3,293,182
		P	**265,740,376**	P	306,512,195
Reported in other comprehensive income (loss) – Deferred tax income (expense) related to accumulated actuarial gains and losses	18.2, 22.2	**P**	**3,746,941**	(P	296,603)

Current taxes include corporate income tax and final taxes paid on income from FCDU and final withholding tax on gross interest income from debt securities and other deposit substitutes.

In 2024 and 2023, the Bank continued to claim itemized deductions. The Bank is also subject to percentage and other taxes, which consist principally of gross receipts tax or GRT, presented as part of Taxes and Licenses in the statements of income.

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense attributable to continuing operations are as follows:

		2024		2023
Tax on pretax profit at 25%	**P**	**173,632,724**	P	273,389,837
Adjustment for income subjected to lower tax rates	**(**	**37,654,261)**	(	22,938,756)
Tax effects of:				
Non-deductible expenses		**107,525,861**		61,144,607
Expenses (income) exempted from income taxes		**78,896,175**		70,980,907
Income from FCDU	**(**	**56,139,080)**	(	50,338,751)
Recognized deferred tax assets on retirement	**(**	**521,043)**	(	10,691,972)
Application of net operating loss carry over (NOLCO) and MCIT		**-**	(	15,033,677)
Tax expense	**P**	**265,740,376**	P	306,512,195

The recognized net deferred tax assets (included as part of Other Resources – see Note 13) as of December 31 relate to the following:

	Statements of Financial Position		Statements of Income		Statements of Comprehensive Income	
	2024	2023	**2024**	2023	**2024**	2023
Deferred tax assets:						
Lease liabilities	**P 46,333,528**	P 44,962,583	**(P 1,370,945)**	(P 10,592,577)	**P -**	P -
Post-employment benefit obligation	**35,002,709**	31,255,768	**-**	-	**(3,746,941)**	296,603
Unamortized past service cost	**15,804,937**	18,654,243	**2,849,306**	(5,749,875)	**-**	-
Deferred tax liabilities:						
Right-of-use assets	**(44,617,107)**	(44,157,688)	**459,419**	10,536,867	**-**	-
Post-employment benefit obligation	**(38,953,635)**	(38,953,635)	**-**	9,098,767	**-**	-
Deferred tax assets - net	**P 13,570,432**	P 11,761,271				
Deferred tax expense (income)			**P 1,937,780**	P 3,293,182	**(P 3,746,941)**	P 296,603

The Bank is subject to MCIT which is computed at 2% of gross income, as defined under tax regulations, or RCIT, whichever is higher.

The details of unrecognized deferred tax assets as of December 31, 2024 and 2023 are as follows:

	2024		2023	
	Tax Base	**Tax Effect**	Tax Base	Tax Effect
Allowance for impairment	**P 128,992,267**	**P 32,248,067**	P 35,338,203	P 8,834,551

The management believes that the related unrecognized deferred tax assets will not be utilized in the subsequent reporting periods.

24.2 Supplemental Information Required By the Bureau of Internal Revenue

The Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 15-2010 on November 25, 2010, which required certain tax information to be disclosed as part of the notes to the financial statements.

The supplementary information is, however, not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards; it is neither a required disclosure under the Philippine Securities and Exchange Commission rules and regulations covering form and content of financial statements under the Revised Securities Regulation Code Rule 68.

The Bank presented this tax information required by the BIR as a supplementary schedule filed separately from the basic financial statements.

25. TRUST OPERATIONS

The Bank commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. Resources and income arising thereon are excluded from these financial statements, as these are neither resources nor income of the Bank.

As of December 31, 2024 and 2023, the following cash, securities and other properties held by the Bank in fiduciary or agency capacity for a fee amounting to P1,437,044,322 and P1,379,905,274, respectively, presented as Trust fees under Service Charges, Fees and Commissions in the statements of income (see Note 19) for its customers are not included in the Banking statements of financial position since these are not resources of the Bank [see Note 29(h)]:

		2024		2023
Cash	**P**	**113,201,613,875**	P	91,155,668,275
Investments		**512,451,162,435**		492,323,685,646
Real estate		**5,396,320,201**		5,466,919,543
Loans and other receivables		**2,189,868,678**		2,016,461,914
Others		**3,986,628,420**		2,372,386,192
	P	**637,225,593,609**	P	593,335,121,570

The trust operations of the Bank relate mainly to management of funds. Certain government bonds owned by the Bank are deposited with the BSP, as mentioned in Note 9.

26. COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of its operations, the Bank has various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, etc., which are not reflected in the Banking financial statements [see Note 28(h)]. The Bank recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become known and quantifiable.

As of December 31, 2024, the Bank's management believes that losses, if any, from the commitments and contingencies will not have a material effect on the Bank's financial statements.

27. CURRENT/NON-CURRENT DISTINCTION OF RESOURCES AND LIABILITIES

The table below shows an analysis of resources and liabilities analyzed according to when they are expected to be recovered or settled (amounts in thousands):

	2024			2023		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Resources						
Due from BSP	**P 2,655,951**	**P -**	**P 2,655,951**	P 1,446,216	P -	P 1,446,216
Due from other banks	**3,988,997**	**-**	**3,988,997**	2,267,483	-	2,267,483
Financial assets at FVTPL	**4,596,077**	**-**	**4,596,077**	4,544,010	-	4,544,010
Financial assets at FVOCI	**750,030**	**3,730,926**	**4,480,956**	482,116	3,360,853	3,842,969
HTC investments	**2,829,371**	**11,973,136**	**14,802,507**	3,088,116	11,253,271	14,341,387
Loans and other receivables	**901,713**	**1,303,815**	**2,205,528**	1,402,833	2,244,509	3,647,342
Bank premises, furnitures fixtures and equipment - net	**-**	**227,495**	**227,495**	-	208,431	208,431
Other resources	**73,275**	**177,933**	**251,208**	30,257	215,552	245,809
	P 15,795,414	**P 17,413,305**	**P 33,208,719**	P 13,261,031	P 17,282,616	P 30,543,647
Liabilities						
Deposit liabilities	**P 20,016,939**	**P 76,774**	**P 20,093,713**	P 18,291,392	P 691,647	P 18,983,039
Derivative liabilities	**3,325,020**	**-**	**3,325,020**	3,451,166	-	3,451,166
Bills payable	**1,146,666**	**-**	**1,146,666**	589,767	-	589,767
Other liabilities	**1,133,891**	**124,010**	**1,257,901**	419,708	128,041	547,749
	P 25,622,516	**P 200,784**	**P 25,823,300**	P 22,752,033	P 819,688	P 23,571,721

28. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below and in the succeeding pages are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP Manual of Regulations for Banks (MORB) to be disclosed as part of the notes to financial statements based on BSP Circular 1074, *Amendments to Regulations on Financial Audit of Banks.*

(a) Selected Financial Performance Indicators

The following are some of the financial performance indicators of the Bank:

	2024	2023
Return on average equity		
$\frac{\text{Net profit}}{\text{Average total capital accounts}}$	**6.0%**	12.1%
Return on average common equity		
$\frac{\text{Net profit}}{\text{Average common equity}}$	**6.0%**	12.1%
Return on average resources		
$\frac{\text{Net profit}}{\text{Average total resources}}$	**1.2%**	2.2%

	2024	2023
Net interest margin		
Net interest income / Average interest-earning resources	**3.9%**	3.8%

**Computed using balances prepared under PFRS*

(b) *Capital Instruments Issued*

As of December 31, 2024 and 2023, the Bank has only one class of capital stock, which is common shares.

As of December 31, 2024 and 2023, the Bank has no capital instruments considered in the computation of the Bank's regulatory and qualifying capital in accordance with Circular 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which may include instruments recorded as part of equity or a financial liability qualifying as Tier 2 capital.

(c) *Secured Liabilities and Assets Pledged as Security*

In 2024 and 2023, the Bank did not have any secured liabilities or assets pledged as security.

(d) *Significant Credit Exposures for Loans*

The Bank's concentration of credit as to industry for its receivables from customers gross of allowance for ECL follows (amounts in thousands):

	2024			2023		
		Amount	**Percentage**		Amount	Percentage
Real estate activities	**P**	**425,991**	**30.0%**	P	657,397	22.0%
Wholesale and retail trade		**299,225**	**22.1%**		643,202	21.5%
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use		**298,728**	**21.0%**		205,735	6.9%
Construction		**192,172**	**13.5%**		180,027	6.0%
Manufacturing		**95,888**	**6.8%**		134,583	4.5%
Information and communication		**81,347**	**5.7%**		179,608	6.0%
Agriculture, forestry and fishing		**12,012**	**0.8%**		-	-
Professional, scientific and technical services		**10,037**	**0.7%**		10,481	0.4%
Financial and insurance activities		**4,357**	**0.3%**		46,406	1.6%
Arts, entertainment and recreation		**-**	**-**		922,253	30.9%
Other service activities		**-**	**-**		6,764	0.2%
Balance at end of year	**P**	**1,419,757**	**100%**	P	2,986,556	100%

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable or 10% of Tier 1 capital.

As of December 31, 2024 and 2023, 10% of Tier 1 capital amounted to P716,900 and P671,822, respectively, and the table below shows the industry groups exceeding this level. (amounts in thousands)

		2024		2023
Arts, entertainment and recreation	**P**	**-**	P	922,253

(e) *Credit Status of Loans*

In 2024 and 2023, all of the Bank's outstanding loans were classified as performing loans.

(f) *Analysis of Loan Portfolio as to Type of Security*

The breakdown of receivable from customers, gross of allowance, as to security are disclosed as follows.

		2024		2023
Secured:				
Real estate mortgage	**P**	**417,970,023**	P	1,398,448,763
Hold-out deposits		**161,833,113**		616,759,210
Other securities		**839,953,434**		926,679,169
		1,419,756,570		2,941,887,142
Unsecured		**-**		44,669,260
	P	**1,419,756,570**	P	2,986,556,402

(g) *Information on Related Party Loans*

The following information relates to the loans, other credit accommodations and guarantees granted to related parties as of December 31, 2024 and 2023.

		2024		2023
Total outstanding related party loan	**P**	**-**	P	-
% of related party loan to total loan portfolio		**0.00%**		0.00%
% of unsecured related party loans to total related party loans		**0.00%**		0.00%
% of past due related party loans to total related party loans		**0.00%**		0.00%
% of non-performing related party loans to total related party loans		**0.00%**		0.00%

(h) *Contingencies and Commitments Arising from Off-balance Sheet Items*

The summary of the Bank's commitments and contingent accounts arising from transactions not given recognition in the statements of financial position, expressed at their equivalent peso contractual amounts as of December 31, 2024 and 2023 is as follows:

	Notes	2024	2023
Trust department accounts	25	**P 637,225,593,609**	P 593,335,121,570
Cross currency swap receivable	16	**26,376,806,790**	46,510,728,286
Cross currency swap payable	16	**23,942,345,200**	21,578,790,200
Forward exchange bought	16	**14,784,188**	1,122,660,923
Forward exchange sold	16	**5,103,254,273**	26,333,893,184
Spot exchange bought		**3,211,614,660**	1,082,913,100
Spot exchange sold		**853,472,036**	646,533,573
Items held for safekeeping		**47**	57

Supplementary Management Disclosures

(Amounts in Philippine Pesos)

On Capital Structure and Capital Adequacy

A. CET 1 Capital and Breakdown of Components (including deductions solely from CET 1)

	2024	2023
Paid-up common stock	2,165,000,000	2,165,000,000
Retained earnings	5,403,373,287	4,975,180,775
Other comprehensive income	(234,967,716)	(209,863,087)
Sub-total	7,333,405,571	6,930,317,688
Less deduction:		
Deferred income tax	16,839,359	11,761,271
Other intangible assets	115,955,741	142,213,305
Defined benefit pension fund asset	31,606,101	58,121,351
Total CET 1 capital	7,169,004,370	6,718,221,761

B. Tier 1 Capital and Breakdown of Components (including deductions solely from Tier 1)

	2024	2023
Paid-up common stock	2,165,000,000	2,165,000,000
Retained earnings	5,403,373,287	4,975,180,775
Other comprehensive income	(234,967,716)	(209,863,087)
Sub-total	7,333,405,571	6,930,317,688
Less deduction:		
Deferred income tax	16,839,359	11,761,271
Other intangible assets	115,955,741	142,213,305
Defined benefit pension fund asset	31,606,101	58,121,351
Total Tier 1 capital	7,169,004,370	6,718,221,761

C. Tier 2 Capital and Breakdown of Components

	2024	2023
General loan loss provision	41,072,682	43,295,157
Total Tier 2 capital	41,072,682	43,295,157

D. Computation of Qualifying Capital

	2024	2023
Tier 1 capital	7,333,405,571	6,930,317,688
Tier 2 capital	41,072,682	43,295,157
Gross qualifying capital	7,374,478,253	6,973,612,844
Less: Required deductions	164,401,202	212,095,927
Total qualifying capital	7,210,077,051	6,761,516,917

The regulatory qualifying capital of the Bank consists of Tier 1 (core) capital which includes paid-up common, surplus including current year profit, and surplus reserves, less deduction for deferred income tax , other intangible assets and defined benefit pension fund asset. The other component of regulatory capital is Tier 2 (supplementary) capital, which is the general loan loss provision.

E. Capital Conservation Buffer

	2024	2023
Common Equity Tier 1 Capital	7,169,004,370	6,718,221,761
Less: CET 1 requirement	1,184,442,654	1,235,793,966
Capital Conservation Buffer	5,984,561,716	5,482,427,794
Capital Conservation Buffer Ratio	30.32%	26.62%

F. Capital Requirements for Credit Risk

	2024	2023
On -Balance Sheet	7,465,128,404	8,475,262,309
Off -Balance Sheet	—	—
Counterparty (Trading Book)	4,605,802,477	5,064,019,605
Total	12,070,930,881	13,539,281,915
Capital Requirements	1,207,093,088	1,353,928,191

G. Capital Requirements for Market Risk

	2024	2023
Interest Rate Exposures	2,214,266,046	2,013,917,179
Foreign Exchange Exposures	513,598,611	452,332,614
Total	2,727,864,657	2,466,249,793
Capital Requirements	272,786,466	246,624,979

H. Capital Requirements for Operational Risk

	2024	2023
Basic Indicator	4,941,915,359	4,591,034,397
Total	4,941,915,359	4,591,034,397
Capital Requirements	494,191,536	459,103,440

I. Computation of Capital Adequacy Ratio - Total and Tier 1

	2024	2023
Total Qualifying Capital	7,210,077,051	6,761,516,917
Credit risk-weighted assets	12,070,930,881	13,539,281,915
Market risk-weighted assets	2,727,864,657	2,466,249,793
Operational risk-weighted assets	4,941,915,359	4,591,034,397
Risk weighted assets	19,740,710,897	20,596,566,105
Total capital ratio	36.52%	32.83%
Tier 1 capital ratio	36.32%	32.62%
CET 1 ratio	36.32%	32.62%

Full Reconciliation of all Regulatory Capital Elements back to the Balance Sheet in the Audited Financial Statements

	Per AFS	Adj - AFS to Regulatory	Regulatory Capital			
			CET 1	Tier 1	Tier 2	Qualifying
Common Stock	2,165,000,000		2,165,000,000	2,165,000,000		2,165,000,000
Surplus - Free/Reserve	5,445,579,251	(42,205,964)[a]	5,403,373,287	5,403,373,287		5,403,373,287
General Loan Loss Provisions	—	41,072,682[b]			41,072,682	41,072,682
Other Comprehensive Income						
Unrealized Fair Value G/L on AFS	(120,152,805)	—	(120,152,805)	(120,152,805)		(120,152,805)
Accumulated Actuarial G/L	(105,008,129)	(9,806,781)[c]	(114,814,910)	(114,814,910)		(114,814,910)
	7,385,418,317	(10,940,063)	7,333,405,571	7,333,405,571	41,072,682	7,374,478,253
Regulatory Adjustments/ Deductions						
Deferred Income Tax		(16,839,359)	(16,839,359)	(16,839,359)		(16,839,359)
Other Intangible Assets		(115,955,741)	(115,955,741)	(115,955,741)		(115,955,741)
Defined Benefit Pension Fund Asset		(31,606,101)	(31,606,101)	(31,606,101)		(31,606,101)
	7,385,418,317	(175,341,266)	7,169,004,370	7,169,004,370	41,072,682	7,210,077,051
(a) Various adjustments	(1,216,669)					
Reclass from Reserve for GLLP to Tier 2 GLLP in CAR per Cir#1011	(40,989,295)					
	(42,205,964)					
(b) General Loan Loss	83,387					
Reserve for GLLP	40,989,295					
Total Tier 2 GLLP	41,072,682					
(c) PAS19 Retirement Valuation	(9,806,781)					

Comprehensive Explanation on How Ratios Involving Components for Regulatory Capital are Calculated

	Regulatory Capital Ratios		
	CET 1	Tier 1	Qualifying
Components of Regulatory Ratios			
Regulatory Capital	7,169,004,370	7,169,004,370	7,210,077,051
Risk Weighted Assets	19,740,710,897	19,740,710,897	19,740,710,897
Computation of Regulatory Ratios			
Qualifying Capital / Risk Weighted Assets			36.52%
Tier 1 Capital / Risk Weighted Assets		36.32%	
CET 1 Capital / Risk Weighted Assets	36.32%		

On Credit Risk Exposures

On-Balance Sheet (BS) Assets

	2024								
			RISK WEIGHTS						
Type of Exposures	Principal Amount	Exposures After CRM	0%	20%	50%	75%	100%	150%	Total
Cash on Hand									
Checks and Other Cash Items									
Due from Bangko Sentral ng Pilipinas	2,655,951,311	2,655,951,311	2,655,951,311						2,655,951,311
Due from Other Banks	3,988,997,225	3,988,997,225		29,297,911	3,959,699,314		—		3,988,997,225
Financial Assets at FVTPL	—	—							—
Financial Assets at FVOCI	4,498,109,862	4,498,109,862	3,809,352,748	—	—		688,757,114		4,498,109,862
Held-to-Collect Investments	14,861,793,138	14,861,793,138	10,524,859,317	528,390,060	2,088,701,634		1,719,842,127		14,861,793,138
Unquoted Debt Securities Classified as Loans	—	—			—				—
Loans and Receivables	1,419,756,570	1,263,859,161					1,263,859,161		1,263,859,161
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions	450,282,500	450,282,500	450,282,500						450,282,500
Sales Contract Receivable									
Real and Other Properties Acquired									
Other Assets	656,931,934	656,931,934					656,931,934		656,931,934
Total Exposures	28,531,822,541	28,375,925,132	17,440,445,877	557,687,972	6,048,400,948	—	4,329,390,336	—	28,375,925,132
Total Risk-weighted On-BS Assets Not Covered by CRM			17,440,445,877	557,687,972	6,048,400,948	—	4,329,390,336		28,375,925,132
Total Risk-weighted On-BS Assets Covered by CRM *			155,897,409		—				155,897,409
Total Risk-weighted On-BS Assets			17,596,343,286	557,687,972	6,048,400,948	—	4,329,390,336	—	28,531,822,541
Computed Risk Weight/Capital Charge			—	111,537,594	3,024,200,474	—	4,329,390,336	—	7,465,128,404

* *The types of eligible credit risk mitigants used on On Balance Sheet Assets are GS, ROP and Deposits*

On-Balance Sheet (BS) Assets

	2023								
			RISK WEIGHTS						
Type of Exposures	Principal Amount	Exposures After CRM	0%	20%	50%	75%	100%	150%	Total
Cash on Hand									
Checks and Other Cash Items									
Due from Bangko Sentral ng Pilipinas	1,446,215,836	1,446,215,836	1,446,215,836						1,446,215,836
Due from Other Banks	2,209,138,998	2,209,138,998		451,614,418	1,757,524,580		—		2,209,138,998
Financial Assets at FVTPL	—	—							—
Financial Assets at FVOCI	3,859,024,305	3,859,024,305	2,718,608,916	—	430,509,779		709,905,610		3,859,024,305
Held-to-Collect Investments	14,378,546,056	14,378,546,056	9,213,524,528	624,657,348	2,895,226,650		1,645,137,530		14,378,546,056
Unquoted Debt Securities Classified as Loans	—	—			—				—
Loans and Receivables	2,986,556,402	2,797,338,263					2,797,338,263		2,797,338,263
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions	399,577,847	399,577,847	399,577,847						399,577,847
Sales Contract Receivable									
Real and Other Properties Acquired									
Other Assets	565,996,049	565,996,049					565,996,049		565,996,049
Total Exposures	25,845,055,493	25,655,837,355	13,777,927,128	1,076,271,766	5,083,261,009	—	5,718,377,452	—	25,655,837,355
Total Risk-weighted On-BS Assets Not Covered by CRM			13,777,927,128	1,076,271,766	5,083,261,009	—	5,718,377,452		25,655,837,355
Total Risk-weighted On-BS Assets Covered by CRM *			222,427,679		—				222,427,679
Total Risk-weighted On-BS Assets			14,000,354,807	1,076,271,766	5,083,261,009	—	5,718,377,452	—	25,878,265,034
Computed Risk Weight/Capital Charge			—	215,254,353	2,541,630,504	—	5,718,377,452	—	8,475,262,309

* *The types of eligible credit risk mitigants used on On Balance Sheet Assets are GS, ROP and Deposits*

Off-Balance Sheet (BS) Assets

Type of Exposures	Credit Equivalent	2024						
		Risk Weights						
		0%	20%	50%	75%	100%	150%	Total
Guarantees Issued								
Transaction-related contingencies								
Commitments with an original maturity of up to one (1) year								
	—	—	—	—	—	—	—	—
Computed Risk Weight/Capital Charge		—	—	—	—	—	—	—

Off-Balance Sheet (BS) Assets

Type of Exposures	Credit Equivalent	2023						
		Risk Weights						
		0%	20%	50%	75%	100%	150%	Total
Guarantees Issued								
Transaction-related contingencies								
Commitments with an original maturity of up to one (1) year								
	—	—	—	—	—	—	—	—
Computed Risk Weight/Capital Charge		—	—	—	—	—	—	—

On External Credit Assessments

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on ratings of Standard and Poor's, Moody's, Fitch and PhilRatings on exposures to sovereigns, MDBs, LGUs, Government Corporations and Corporates.

On Interest Rate Risk in the Banking Books

For interest rate risks in the banking book (IRRBB), please refer to NFS Section 4.1.2. Earnings-at-Risk (EaR) calculated using a 1-year holding period and measured on a monthly basis.

Disclosure Statements on the ff:

Eligible Credit Risk Mitigants including Credit Derivatives

Credit Protection Given by the Bank

Structured Products

Hedging and Continuing Effectiveness of Hedges

Securitization Structures

Risk-weighted on balance sheet assets covered by credit risk mitigants are mostly exposures covered by deposits, government and corporate issued securities. There are no securitization exposures, no exposures covered by credit derivatives, no outstanding credit protection provided by the Bank through credit derivatives, and no outstanding investments in structured products. Moreover, the Bank has no outstanding accounting hedges. In case there are accounting hedges, the Bank performs both prospective and retrospective hedge effectiveness tests to monitor the continuing effectiveness of accounting hedges as a matter of policy.

On Basel III Leverage Ratio

A. Calculation of BASEL III Leverage Ratio

	2024	2023
Capital Measure	7,169,004,370	6,718,221,761
Total On-balance sheet exposures [1/]	31,847,265,372	28,767,133,943
Total Derivatives Exposures	5,260,659,405	5,820,178,159
Total Securities Financing Transactions (SFT)	450,000,000	399,407,753
Off-balance Sheet Exposures	406,508,670	172,944,667
Total Exposure Measure	37,964,433,446	35,159,664,522
BASEL III Leverage Ratio	18.88%	19.11%

1/ *Gross of general loan loss provision (GLLP) excluding derivatives and SFTs, and deductions from BASEL III Tier1 capital are excluded from the leverage ratio exposure measure*

B. Summary Comparison Table

	2024	2023
Total consolidated assets as per published financial statements [1/]	35,410,571,208	32,752,395,162
Adjustments for derivatives financial instruments	2,311,671,384	2,444,114,757
Adjustments for securities financial transactions	—	—
Adjustments for off-balance sheet items	406,508,670	172,944,667
Other adjustments	(164,317,815)	(209,790,065)
Leverage ratio exposure	37,964,433,446	35,159,664,522

1/ *Refers to total on-balance sheet assets per quarterly published balance sheet*

C. Common Disclosure Table

	2024	2023
On-balance sheet items [1/]	32,011,666,574	28,979,229,870
Asset amounts deducted in determining BASEL III Tier 1 Capital	(164,401,202)	(212,095,927)
Total on-balance sheet exposures (excluding derivatives & SFTs)	31,847,265,372	28,767,133,943
Replacement cost associated with all derivatives transactions	2,948,988,021	3,376,063,401
Add-on amounts for Potential Future Exposure associated with all derivative transactions	2,311,671,384	2,444,114,757
Total derivative exposures	5,260,659,405	5,820,178,159
Gross SFT assets	450,000,000	399,407,753
Total securities financing transaction exposures	450,000,000	399,407,753
Off-balance sheet exposure at gross notional amount	4,065,086,696	1,729,446,674
Off-balance sheet items	406,508,670	172,944,667
Tier 1 capital	7,169,004,370	6,718,221,761
Total exposures	37,964,433,446	35,159,664,522
Basel III leverage ratio	**18.88%**	**19.11%**

1/ *Gross of general loan loss provision (GLLP) excluding derivatives and SFTs*

On Basel III Net Stable Funding Ratio (NSFR)

	2024	2023
A. Available Stable Funding	**16,005,752,466**	**15,658,441,660**
Capital	7,374,554,866	6,972,301,948
Retail Deposits	7,193,755,651	7,521,075,096
Wholesale Deposits	1,148,216,949	1,165,064,616
Secured and Unsecured Funding	289,225,000	—
Other Liabilities and Equities	—	—
B. Required Stable Funding	**10,808,890,200**	**12,217,928,463**
NSFR High-Quality Liquid Assets (HQLA)	1,945,697,469	2,254,962,514
Deposits Held at other Financial Institutions	695,931,618	422,575,730
Performing Loans and Non-HQLA Securities	3,260,048,393	4,338,060,770
Other Assets	4,907,212,720	5,202,329,448
Off-Balance Sheet Exposures	—	—
C. Net Stable Funding Ratio (A/B)	**148.08%**	**128.16%**

On Liquidity Coverage Ratio (LCR)

	2024	2023
A. Total Stock of High-Quality Liquid Assets	**13,313,737,554**	**10,780,276,980**
Stock of Level 1 Assets	12,674,424,181	9,857,210,058
Stock of Level 2 Assets	639,313,373	923,066,922
Total Stock of High Quality Liquid Assets	13,313,737,554	10,780,276,980
Adjustments for 40% Cap on Level 2 Assets	—	—
B. Total Net Cash Outflows	**9,763,300,161**	**8,904,531,943**
Total Expected Cash Outflows	18,664,152,493	26,594,365,971
Total Expected Cash Inflows Before Ceiling	8,900,852,332	17,689,834,028
Adjustments for 75% Ceiling on Cash Inflows	—	—
Total Expected Cash Inflows After Ceiling	8,900,852,332	17,689,834,028
C. Liquidity Coverage Ratio (A/B)	**136.37%**	**121.07%**

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The 2024 Annual Report and the Financial Supplements can be viewed and downloaded online at https://www.bdo.com.ph/wealth/private-banking/about-us/corporate-governance/annual-report.

BDO Private Bank, Inc. is regulated by the Bangko Sentral ng Pilipinas (https://www.bsp.gov.ph). For concerns and feedback, you may contact BDO Private Bank's Customer Service Management Hotline at (+632) 8588-9800 or email bdoprivatebank-customerservice@pb.bdo.com.ph; the BDO Customer Contact Center at (+632) 8888-0000. Deposits are insured by PDIC up to ₱1 Million* per depositor. The BDO Private Bank, BDO Unibank and other BDO-related trademarks are owned by BDO.

* Effective March 15, 2025.

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